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An Overview of the HOME Investment Partnerships Program

Updated January 4, 2021

Congressional Research Service
https://crsreports.congress.gov
R40118

Summary

The HOME Investment Partnerships Program was authorized by the Cranston-Gonzalez National Affordable Housing Act of 1990 (P.L. 101-625). HOME is a federal block grant program that provides funding to states and localities to be used exclusively for affordable housing activities to benefit low-income households.

Funds for HOME are appropriated annually to the Department of Housing and Urban Development (HUD), which in turn distributes funding to states and certain localities by formula. Forty percent of HOME funds are allocated to states and 60% are allocated to localities. The formula takes into account six factors, including the number of units in a jurisdiction that are substandard or unaffordable, the age of a jurisdiction's housing, and the number of families living below the poverty line in the jurisdiction.

States and localities that receive HOME funds are known as *participating jurisdictions*. Participating jurisdictions must match the HOME funds they spend with their own 25% permanent contribution to affordable housing activities. They also must submit a Consolidated Plan to HUD that identifies the community's housing needs and describes in detail how HOME and other HUD block grant funds will be used to meet those needs. Participating jurisdictions can administer HOME funds themselves, or they can designate public agencies or nonprofit organizations to administer all or part of the HOME program on their behalf.

HOME funds can be used to finance a wide variety of affordable housing activities that generally fall into four categories: rehabilitation of owner-occupied housing; assistance to homebuyers; acquisition, rehabilitation, or construction of rental housing; and tenant-based rental assistance. Projects that use HOME funding must meet certain income targeting and affordability requirements. Specifically, all HOME-assisted housing units must benefit households with incomes at or below 80% of area median income. Additionally, 90% of occupants of HOME-assisted rental units and households that receive tenant-based rental assistance must have incomes at or below 60% of area median income. HOME-assisted housing must also meet certain definitions of affordability and must continue to remain affordable to low-income households for a specified period of time. The specific affordability requirements vary according to the type of activity for which funds are used and the amount of HOME funding contributed to the project.

The amount of appropriations that Congress has provided to the HOME program has varied somewhat from year to year. From the late 1990s until FY2011, funding for HOME was generally between $1.5 billion and $2 billion per year. Between FY2012 and FY2017, appropriations did not exceed $1 billion per year. More recently, annual appropriations have been in the range of $1.3 billion. In FY2021, Congress appropriated $1.35 billion for the program.

In FY2020 (the most recent HOME funding distributed as of the date of this report), all 50 states and 592 localities received HOME formula grants along with the District of Columbia, Puerto Rico, and four insular areas. The median state grant amount (including the District of Columbia and Puerto Rico) was about $8 million, and the median locality grant amount was about $780,000.

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Introduction

The HOME Investment Partnerships Program was created by the Cranston-Gonzalez National Affordable Housing Act of 1990 (P.L. 101-625). HOME is a federal block grant program administered by the Department of Housing and Urban Development (HUD) that provides funding for affordable housing activities to states and certain localities through formula grants. States and localities that receive HOME grants can choose to fund a wide range of rental and homeownership housing activities that benefit low-income households to best meet local affordable housing needs. This report provides an introduction to the HOME program, including a brief history, an overview of allowable uses of HOME funds, and a description of certain program requirements. It also provides information on funding for the program and how that funding has been used.

Background and Context

In the late 1980s, some Members of Congress expressed concern about the state of the nation's housing. This concern stemmed from an increasing awareness of a variety of problems related to housing, including homelessness, families living in sub-standard housing, and decreasing opportunities for homeownership.[1] The concern over these issues led to a number of efforts to focus attention on housing policy, including the creation of a National Housing Task Force that included housing policy experts and industry leaders. In March 1988, the task force produced a report on its findings.[2] Among the housing issues that the task force report identified was a diminishing supply of rental and homeownership housing that was affordable to low-income households.[3]

In a 1988 hearing on the task force report, some Members of the Senate Committee on Banking, Housing, and Urban Affairs suggested that federal funding for housing programs was inadequate to meet the affordable housing needs identified in the report.[4] Most federal housing assistance distributed to states and localities at the time was restricted to specific uses, such as Section 8 vouchers or Public Housing properties. Furthermore, programs that did give communities flexibility to choose how to use their funds, such as the Community Development Block Grant (CDBG) program,[5] were primarily meant to fund economic development and community revitalization activities and restricted the ways in which funding could be used for affordable housing. For example, CDBG funds could be used for some housing rehabilitation but could not

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[1] U.S. Congress, Senate Committee on Banking, Housing, and Urban Affairs and House Committee on Banking, Finance, and Urban Affairs, *A New National Housing Policy: Recommendations of Organizations and Individuals Concerned about Affordable Housing in America*, joint committee print, 100th Cong., 1st sess., October 1987, S. Prt. 100-58 (Washington: GPO, 1987), p. V.

[2] The National Housing Task Force, *A Decent Place to Live*, March 1988.

[3] U.S. Congress, Senate Committee on Banking, Housing, and Urban Affairs, Subcommittee on Housing and Urban Affairs, hearings on *The National Housing Task Force Results of Their Review of the National Housing Policy and the Housing Leaders Analysis of the Task Force's Findings and Recommendations*, 100th Cong., 2nd sess., April 12 and 14, 1988, S. Hrg. 100-689 (Washington: GPO, 1988). "Affordable housing" can be defined differently in different contexts, but is generally understood to mean housing that costs 30% or less of a household's income. Households that pay more than 30% of their income for housing are considered cost-burdened, and households that pay more than 50% of their income for housing are considered severely cost-burdened.

[4] Ibid., p. 8.

[5] CDBG was established by the Housing and Community Development Act of 1974 (P.L. 93-383).

generally be used to construct new housing units.[6] Concerned that existing programs were not meeting the nation's affordable housing needs, members of the Housing Task Force argued to the committee that the level of federal funding specifically dedicated to affordable housing should be increased in order to fully address affordable housing issues. At the same time, task force members argued that local jurisdictions should be allowed more control over the ways in which they used any such federal affordable housing funding.[7]

In 1990, Congress passed a major housing bill that responded to some of the issues raised by the Housing Task Force and other experts.[8] The Cranston-Gonzalez National Affordable Housing Act (P.L. 101-625), or NAHA, stated that the nation's housing policy was not meeting the goal of providing "decent, safe, sanitary, and affordable living environments for all Americans" that was first set out in the Housing Act of 1949.[9] The law revised, amended, or repealed several existing housing programs and authorized some new programs, including the HOME Investment Partnerships Program (often just referred to as HOME).[10]

HOME is the largest federal block grant program that provides funding dedicated exclusively to increasing the availability of adequate, affordable housing for low-and very low-income households.[11] The program places a particular emphasis on giving states and localities flexibility in how they achieve their affordable housing goals, and funds can be used for a variety of activities related to both rental and owner-occupied housing. HOME is also designed to expand the capacity of states and localities to meet their long-term affordable housing needs by leveraging federal funding to attract state, local, and private investment in affordable housing and by strengthening the ability of government and nonprofit organizations to meet local housing needs.[12]

HOME is authorized by Title II of NAHA.[13] HUD promulgated a final rule governing the program in September 1996.[14] In July 2013, HUD issued a final rule that made significant revisions to certain program requirements, representing the first substantive changes to the regulations since they were first finalized in 1996.[15]

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[6] Eligible activities that can be undertaken with CDBG funds are specified in statute at 42 U.S.C. §5305. For more information on CDBG, see CRS Report R43520, *Community Development Block Grants and Related Programs: A Primer*.

[7] S. Hrg. 100-689, p. 21.

[8] U.S. Congress, Senate Committee on Banking, Housing, and Urban Affairs, *National Affordable Housing Act*, report to accompany S.566, 101st Cong., 2nd sess., S.Rept. 101-316 (Washington: GPO, 1990), pp.1-5.

[9] 42 U.S.C. §12721.

[10] Other programs authorized by NAHA include the Homeownership and Opportunity for People Everywhere (HOPE) program, which is no longer funded, and the Housing Opportunities for Persons with AIDS (HOPWA) program. For more information on HOPWA, see CRS Report RL34318, *Housing for Persons Living with HIV/AIDS*.

[11] U.S. Department of Housing and Urban Development, *HOME Overview*, https://www.hudexchange.info/programs/home/home-overview/. Low-income households are generally defined as households with incomes at or below 80% of area median income (AMI), and very low-income households are defined as households with incomes at or below 50% of AMI.

[12] 42 U.S.C. §12722.

[13] The HOME statute is at 42 U.S.C. §12722 et. seq.

[14] Regulations governing the HOME program are at 24 C.F.R. Part 92. The final rule followed an interim rule that HUD had promulgated in 1991.

[15] Department of Housing and Urban Development, "HOME Investment Partnerships Program: Improving Performance and Accountability; Updating Property Standards," 78 *Federal Register* 44628-44683, July 24, 2013, http://www.gpo.gov/fdsys/pkg/FR-2013-07-24/pdf/2013-17348.pdf. More information on the changes made by the 2013 final rule can be found on HUD's website at https://www.hudexchange.info/programs/home/home-final-rule/.

The HOME Program

This section of the report describes the structure of the HOME program, including the requirements that states and localities must meet in order to receive their own allocations of HOME funds, eligible uses of program funds, and certain requirements that HOME-assisted housing must meet. The following section on "HOME Program Funding" describes the funding for the program, including appropriations for HOME and the funding formula that is used to allocate the funds to states and eligible localities.

Participating Jurisdictions

Each fiscal year, Congress typically appropriates funding to HUD for the HOME program during the annual appropriations process. HUD then uses a formula to allocate 40% of the funds to states and the remaining 60% to eligible localities. (This is discussed in more detail in the "HOME Program Funding" section of this report.) States and localities that meet certain requirements to receive their own allocations of HOME funds are referred to as *participating jurisdictions* (PJs).

States are automatically eligible to become PJs and receive the greater of their formula grant amount or $3 million annually.[16] Localities can only become PJs if they are metropolitan cities or urban counties,[17] and if they meet two funding thresholds. First, localities must be eligible for a minimum amount of funding under the formula, usually $500,000.[18] Once localities meet this threshold, they must also meet a second threshold: localities must dedicate a total of at least $750,000 to affordable housing activities, either by having a HOME formula grant of at least $750,000 or by making up the difference between their grant amount and the $750,000 threshold with their own funds or HOME funds provided by the state from the state's formula allocation.[19]

Localities that do not meet the requirements to become participating jurisdictions may join with other contiguous localities to form consortia in order to reach the minimum funding thresholds. Localities that are not PJs can also participate in the HOME program by applying to their home

[16] 42 U.S.C. §12747(b)(2)(A).

[17] A metropolitan city is defined to be the central city of a metropolitan statistical area (MSA), as defined by the Office of Management and Budget (OMB), or any other city within a metropolitan area with a population of at least 50,000 people. An urban county is defined to be a county in a metropolitan area that is authorized by state law to undertake essential community development and housing assistance activities in its unincorporated areas and either (1) has a population of at least 200,000 people, excluding metropolitan cities within the county, with at least 100,000 of that population residing in unincorporated areas or included units of general local government in which the county has the authority or has entered into agreements to undertake community development or housing assistance activities, or (2) has a population of at least 100,000 people, a population density of at least 5,000 people per square mile, and includes no incorporated places (as defined by the U.S. Census Bureau) within its borders. These definitions can be found at 42 U.S.C. §5302(a)(4) and 42 U.S.C. §5302(a)(6).

[18] The minimum direct allocation threshold is reduced to $335,000 in years when appropriations for HOME are less than $1.5 billion. However, Congress has often included provisions in annual appropriations acts to disregard this lower threshold for the fiscal year. In years that such a provision is included in appropriations acts, localities still must meet the higher $500,000 threshold to become participating jurisdictions during that fiscal year even though less than $1.5 billion is appropriated.

[19] The minimum contribution to affordable housing activities is reduced to $500,000 in years when appropriations for HOME are less than $1.5 billion. However, Congress has often included provisions in annual appropriations acts to disregard this lower threshold for the fiscal year. In years that such a provision is included in appropriations acts, localities still must meet the higher $750,000 minimum contribution for affordable housing activities to become a participating jurisdiction even though less than $1.5 billion is appropriated.

state to receive a portion of the state's allocation of HOME funds. States in which no locality receives its own allocation of HOME funding have their grant amounts increased by $500,000.[20]

A state or locality that is otherwise eligible to receive HOME funds must submit a document describing how it plans to use HOME funds to meet its affordable housing needs for HUD's approval before it can become a PJ. (This document, called a Consolidated Plan, is described in more detail in the following subsection.) Once a state or locality has been designated a PJ, it remains one—and therefore continues to be eligible to receive its own allocation of HOME funds—unless its designation is revoked. HUD has the authority to revoke a jurisdiction's designation if it finds that the jurisdiction is not complying with program requirements, or if a locality's formula grant amount falls below certain thresholds over a specified period of time, although it is not required to do so.[21]

A participating jurisdiction can administer HOME funds itself, or it can designate a public agency or nonprofit organization to administer all or part of the HOME program on its behalf. Such an organization is referred to as a subrecipient. States can also choose to provide funds to local governments to carry out HOME programs—in which case the local government is referred to as a *state recipient*—but are not required to do so.[22] Participating jurisdictions or their subrecipients can distribute funds to a variety of organizations to undertake specific projects. These organizations can include developers, owners, and sponsors of affordable housing, Community Housing Development Organizations (CHDOs),[23] private lenders, faith-based organizations, and third-party contractors.

The Consolidated Plan

To receive HOME funding, a state or locality must submit a Consolidated Plan to HUD for approval.[24] The Consolidated Plan covers a three- to five-year period and includes a detailed description of the jurisdiction's housing needs and an explanation of how it will use HOME funding and funding from certain other HUD block grant programs to meet its specific housing needs.[25] The Consolidated Plan also describes how the jurisdiction will leverage HOME funds to attract local, private, nonprofit, or other non-federal sources of funds for affordable housing, and it prioritizes projects by type and geographic location. While many activities are eligible uses of

[20] 42 U.S.C. §12747(b)(2)(B).

[21] The provisions related to revoking a locality's designation as a PJ are at 42 U.S.C. §12746(9) and 24 C.F.R. §92.107.

[22] 24 C.F.R. §92.201(b)(2)

[23] Community Housing Development Organizations are private, nonprofit organizations that meet certain legal and organizational requirements, as well as requirements concerning their capacity and experience related to affordable housing activities. PJs are required to provide at least 15% of their HOME funding to projects that are owned, sponsored, or developed by CHDOs. That requirement is described in the "Community Housing Development Organizations (CHDOs)" section of this report.

[24] Regulations governing the consolidated planning process are at 24 C.F.R. Part 91. Information on the process is also available on HUD's website at https://www.hudexchange.info/consolidated-plan/consolidated-plan-process-grant-programs-and-related-hud-programs/.

[25] The other programs included in the Consolidated Plan are Community Development Block Grants (CDBGs), Emergency Solutions Grants (ESGs), Housing Opportunities for Persons with AIDS (HOPWA), and the Housing Trust Fund. For more information on CDBG, see CRS Report R43520, *Community Development Block Grants and Related Programs: A Primer*. For more information on ESG, see CRS Report RL33764, *The HUD Homeless Assistance Grants: Programs Authorized by the HEARTH Act*, and for more information on HOPWA, see CRS Report RL34318, *Housing for Persons Living with HIV/AIDS*. For more information on the Housing Trust Fund, see CRS Report R40781, *The Housing Trust Fund: Background and Issues*.

HOME dollars, participating jurisdictions must specify in their Consolidated Plan which activities they intend to fund.[26]

As part of the consolidated planning process, PJs submit annual Action Plans that describe the specific activities that a PJ plans to undertake during the year to address its housing needs and make progress towards the goals that are included in its Consolidated Plan. PJs also submit annual performance reports on their use of funds and their progress towards their goals.[27]

The Consolidated Plan is meant to be the product of "a participatory process among citizens, organizations, businesses, and other stakeholders" in a community.[28] The HOME regulations stress community participation, especially by low- and moderate-income individuals, in developing the Consolidated Plan, and jurisdictions must submit a "citizen participation plan" that describes how citizens have been included and consulted in the process.

Eligible HOME Activities

In the years leading up to NAHA's passage, some experts argued that local affordable housing needs varied, and that localities should be free to develop solutions that fit local conditions.[29] HUD describes the HOME program's design as reinforcing the principle of giving communities control over how to best meet their affordable housing needs.[30] Accordingly, a wide range of activities related to increasing the supply of affordable housing for low-income households qualifies for HOME funding. These include both homeownership and rental housing activities.

The eligible uses of HOME funds fall into four broad categories:

- *Rehabilitation of Owner-Occupied Housing*. Funds may be used to help existing homeowners repair, rehabilitate, or reconstruct their homes.
- *Assistance to Homebuyers.* Funds may be used to help homebuyers acquire, acquire and rehabilitate, or construct homes. For example, down payment assistance is an eligible use of funds under this category.
- *Rental Housing Activities*. Funds may be used to help developers or other housing organizations acquire, rehabilitate, or construct affordable rental housing.
- *Tenant-Based Rental Assistance (TBRA)*. Funds may be used to help renters with costs related to renting, such as security deposits, rent, and, under certain circumstances, utility payments. "Tenant-based" means that the rental assistance moves with the tenant rather than being tied to a specific housing unit.

A participating jurisdiction may use up to 10% of the funds it is allocated in a fiscal year for administrative purposes.[31]

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[26] Consolidated Plans can be found on HUD's website at https://www.hudexchange.info/programs/consolidated-plan/con-plans-aaps-capers/.

[27] The annual report is referred to as the Consolidated Annual Performance and Evaluation Report (CAPER).

[28] 24 C.F.R. Part 91.1(b)(1).

[29] S. Hrg. 100-689, p. 21.

[30] U.S. Department of Housing and Urban Development webpage, *HOME Overview*, https://www.hudexchange.info/programs/home/home-overview/.

[31] 42 U.S.C. §12742(c). See 24 C.F.R. §92.207 for a description of eligible administrative expenses.

The law requires participating jurisdictions to give preference to rehabilitation of existing rental and owner-occupied units. However, a PJ can undertake other activities if it determines that rehabilitation is not the most cost-effective way for it to increase its supply of affordable housing or that rehabilitation of the existing housing stock would not adequately meet its affordable housing needs.[32]

Participating jurisdictions can disburse HOME funds in a variety of ways. Forms of assistance that may be provided with HOME funds include grants, various types of loans, loan guarantees to lending organizations, interest rate subsidies, and equity investments.

Certain activities are not eligible for funding under the HOME program. Ineligible uses of HOME funds include modernizing public housing, providing tenant-based rental assistance under the Section 8 program, supporting ongoing operational costs of rental housing, paying back taxes or fees on properties that are or will be assisted with HOME funds, and providing non-federal matching funds for any other federal program. Other uses not authorized in statute or regulation are also prohibited.[33]

Selected HOME Program Requirements

While PJs have much flexibility in choosing which eligible activities they will fund with HOME dollars, any projects funded through HOME must meet certain requirements in keeping with the program's stated objectives. This section describes some of the key requirements with which PJs must comply.

Income Targeting

A stated purpose of the HOME program, according to the authorizing statute, is to increase the supply of decent, affordable housing for people with low incomes and very low incomes.[34] Accordingly, all HOME funds must be used to assist low-income households, which are defined as households with annual incomes at or below 80% of area median income (AMI). Deeper income targeting requirements apply to rental housing and tenant-based rental assistance.

Owner-Occupied Housing. All HOME funds that are used for existing owner-occupied housing or to assist homebuyers must benefit units that are occupied by households with incomes at or below 80% of area median income.[35]

Rental Housing and Tenant-Based Rental Assistance. At least 90% of the occupants of HOME-assisted rental units or recipients of tenant-based rental assistance must be households whose incomes are at or below 60% of area median income. The remaining rental units or TBRA must benefit households with incomes at or below 80% of area median income.[36]

Affordability and Other Requirements

The income targeting requirements described above ensure that HOME-assisted units benefit low-income households. Additionally, HOME-assisted units must be affordable to low-income

[32] 42 U.S.C. §12742(a)(2).

[33] Activities that are prohibited uses of HOME funds are described at 42 U.S.C. §12742(d) and 24 C.F.R. §92.214.

[34] 42 U.S.C. §12722.

[35] 42 U.S.C. §12744 and 24 C.F.R. §92.217.

[36] 42 U.S.C. §12744 and 24 C.F.R. §92.216.

households, and must continue to be occupied by low-income households and remain affordable to such households over the long term.

In order to achieve this goal, HOME-assisted units must meet a number of requirements. Some of these requirements govern the value of HOME-assisted units or the amounts that a household can pay to rent or purchase a unit. HOME-assisted units must also meet additional requirements, separate from the value of the home, to ensure affordability. As with income targeting, the precise requirements that must be met depend on whether HOME funding is used for assistance to homebuyers, rehabilitation of owner-occupied housing, or rental housing activities.

Assistance to Homebuyers. Housing bought by homebuyers with the assistance of HOME funds must meet the following requirements:[37]

- The homebuyer must belong to a low-income family, and the family must use the home as a principal residence.
- The initial purchase price or value after rehabilitation must be no more than 95% of the median purchase price of homes in the area, as determined by the Secretary of HUD and adjusted as the Secretary deems necessary for different types of structures and the age of the housing.[38]
- Homebuyer units must continue to meet the definition of affordability described above for between five and fifteen years, depending on the per-unit amount of HOME funds expended on a project.
- The housing must be single-family housing.[39]
- If the housing is newly constructed, it must meet energy-efficiency standards.
- Participating jurisdictions must impose resale or recapture restrictions on units in which they have assisted the homebuyer using HOME funds. These restrictions specify that if a homeowner sells his or her home during the affordability period, he or she is required to sell it to another qualified low-income buyer (resale) or to return some of the proceeds of the sale to the PJ in order to cover the HOME funds that were invested in the home (recapture).
- HOME-assisted homebuyers must receive housing counseling.

Homebuyer units that are not sold to eligible homebuyers within nine months of the project's completion are to be rented to eligible tenants.

Resale and recapture restrictions are set by the jurisdiction and approved by the Secretary. Resale restrictions must ensure that, upon resale, (1) the housing remains affordable to low-income homebuyers, and (2) the owner receives a fair return on investment. Recapture restrictions must ensure that the investment in the housing is recaptured in order to assist others who qualify for HOME-assisted housing. PJs can structure these requirements in different ways.[40]

[37] These requirements are established at 42 U.S.C. §12745(b) and 24 C.F.R. §92.254(a).

[38] HUD regulations at 24 C.F.R. §92.254(a)(2) provide more detail on how the limits are calculated. Current and historical limits are available on HUD's website at https://www.hudexchange.info/resource/2312/home-maximum-purchase-price-after-rehab-value/.

[39] HUD defines single-family housing to be "a one- to four-family residence, condominium unit, cooperative unit, combination of manufactured housing and lot, or manufactured housing lot." 24 C.F.R. §92.2.

[40] For more information on how resale and recapture requirements can be structured, see HUD CPD Notice 2012-003, *Guidance on Resale and Recapture Provision Requirements under the HOME Program*, January 2012, https://www.hudexchange.info/resource/2690/notice-cpd-12-003-guidance-resale-recapture-home/.

Owner-Occupied Housing Rehabilitation. Owner-occupied housing that is rehabilitated using HOME funds must meet the following requirements:[41]

- The owner must belong to a low-income family at the time HOME funds are committed to the project, and the family must use the housing as a principal residence.
- The value of the housing after rehabilitation must be no more than 95% of the median purchase price of homes in the area, as determined by the Secretary of HUD and adjusted as the Secretary deems necessary for different types of structures and the age of the housing.[42]
- There are no statutory long-term affordability requirements for owner-occupied units that are rehabilitated using HOME funds. However, the PJ can choose to impose an affordability period.

Rental Housing. Rental housing that benefits from the use of HOME funds must meet the following requirements:[43]

- HOME-assisted units must be occupied only by low-income households.
- Rents must not exceed HUD's published maximum rents for the HOME program.[44] The maximum rent for a HOME-assisted rental unit is the lesser of (1) the fair market rent[45] for comparable units in the jurisdiction, or (2) 30% of the adjusted income of a household whose income is 65% percent of area median income.[46]
- If a project includes five or more HOME-assisted units, at least 20% of the HOME-assisted units must be occupied by families with incomes at or below 50% of area median income. Additionally, those families must have rents that meet *one* of the following requirements:

  —Rents are no higher than (1) the fair market rent for a comparable unit in the jurisdiction, or (2) 30% of 50% of area median income, whichever is lower.

  —Rents are no higher than 30% of the household's adjusted income.

  If rental projects temporarily fail to meet the requirements governing the incomes of occupants of HOME-assisted units because of an increase in the current tenants' income, the project is still considered to be in compliance as long as vacancies are filled according to these requirements.
- Rental units must continue to meet these requirements for between five and twenty years, depending on the per-unit amount of HOME funds expended on a project and the type of activity for which HOME funds are used.

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41 These requirements are established at 24 C.F.R. §92.254(b).

42 See footnote 38 for more information on these limits.

43 These requirements are established at 42 U.S.C. §12745(a) and 24 C.F.R. §92.252.

44 Published limits are available at https://www.hudexchange.info/programs/home/home-rent-limits/.

45 Fair market rents (FMRs) are calculated annually by HUD and are meant to reflect the cost of modest housing in a community. FMRs can be found on HUD's webpage at http://www.huduser.org/datasets/fmr.html.

46 Participating jurisdictions must determine tenants' annual income according to the guidelines at 24 C.F.R. §92.203. HUD's maximum HOME rents will also take into account the number of bedrooms in a unit and average occupancy per unit.

- If the housing is newly constructed, it must meet energy-efficiency standards.
- The housing must be available to Section 8 voucher holders.

PJs must repay any HOME funds used for rental units that are not rented to eligible tenants within 18 months of the project being completed.

HOME Subsidy Limits

When using HOME funds for owner-occupied housing rehabilitation, homebuyer assistance, or rental housing activities, participating jurisdictions must follow restrictions on the minimum and maximum amounts of HOME funds that they can contribute to a given project. When participating jurisdictions use HOME funds for tenant-based rental assistance, they must establish both a maximum subsidy amount and a minimum tenant contribution to the tenant's rent.

Owner-Occupied and Rental Housing. The minimum amount of HOME funds that can be used for new construction, rehabilitation, or acquisition of owner-occupied or rental housing is $1,000 multiplied by the number of HOME-assisted units in a project. The maximum per-unit subsidy for a project varies by participating jurisdiction and is based on certain Federal Housing Administration mortgage limits for multifamily housing.[47]

Tenant-Based Rental Assistance. The maximum HOME subsidy amount for tenant-based rental assistance is the difference between 30% of the household's adjusted monthly income and a jurisdiction-wide rent limit established by the participating jurisdiction. The rent limit must conform to certain parameters established by HUD.[48] Each participating jurisdiction is also required to set a minimum tenant contribution for tenant-based rental assistance. The minimum tenant contribution can either be a flat dollar amount or a percentage of tenant income.

Subsidy Layering

HOME funds may be combined with other federal resources to support affordable housing projects. For example, a project that uses HOME funds might also use funds from other HUD programs, funds raised through the Department of the Treasury's Low-Income Housing Tax Credit (LIHTC) program, or funds from rural housing programs administered by the U.S. Department of Agriculture. Using a combination of federal funds from different sources for a single project is known as subsidy layering.

The HOME statute and regulations require a participating jurisdiction to certify to HUD that the aggregate amount of federal funds, including HOME funds, that is invested in a housing project is no more than is necessary to provide affordable housing.[49]

Community Housing Development Organizations (CHDOs)

As noted earlier, one of the stated purposes of the HOME authorizing legislation is to expand the capacity of nonprofit agencies to provide affordable housing for low and very-low income households. As a means of furthering this goal, the HOME statute requires each participating jurisdiction to reserve at least 15% of its HOME funding for Community Housing Development

[47] These limits are published annually and are available from HUD Field Offices. For more information, see https://www.hudexchange.info/resource/2315/home-per-unit-subsidy/.

[48] For requirements governing rent limits, see 24 C.F.R. §92.209.

[49] See 42 U.S.C. §12742(f) and 24 C.F.R. §92.250(b).

Organizations (CHDOs).[50] CHDOs are private nonprofit organizations that meet certain legal and organizational requirements and have the capacity and experience to carry out affordable housing projects.

CHDO reservation funds must be used for projects where the CHDO develops, owns, or sponsors affordable housing. CHDOs can engage in other eligible HOME activities using HOME funds, but any funding spent on projects in which the CHDO is not the developer, owner, or sponsor will not count toward the 15% set-aside requirement for CHDOs.[51] For example, a CHDO could administer a TBRA program, but since the CHDO would not be developing, owning, or sponsoring affordable housing in this case the funds would not count towards the 15% of funds that must be reserved for CHDOs.

HOME Program Funding

This section describes funding for the HOME program, including its appropriations history, the formula that HUD uses to distribute funds to PJs, and the distribution of HOME funds in FY2020 (the most recent HOME funding distributed as of the date of this report). It also discusses the concept of leveraging HOME funds to attract other sources of funding for affordable housing activities.

Annual Appropriations

Each year, during the annual appropriations process, Congress has appropriated funding to the HOME account within HUD's overall appropriation. In FY1992, the first year in which HOME was funded, Congress appropriated $1.5 billion to the HOME account. From FY1993 to FY1998, annual appropriations to the HOME account fluctuated between $1 billion and $1.5 billion, and from FY1999 through FY2011 appropriations fluctuated between $1.6 billion and $2 billion, reaching a high of just over $2 billion in FY2004. From FY2012 to FY2017, annual appropriations to the HOME account were $1 billion or below, reflecting, in part, the overall fiscal environment.[52] Since FY2018, annual appropriations to the HOME account have again exceeded $1 billion.

While most of the funding appropriated to the HOME account is used for formula grants to states and localities, over the years the HOME account has sometimes also included funding that was set aside for related affordable housing programs or activities. For several years prior to FY2008, two major set-asides funded through the HOME account were housing counseling (which is now funded in its own account) and down payment assistance through the American Dream Downpayment Initiative, or ADDI (which is no longer specifically funded, although down payment assistance is an eligible use of HOME funds). The former HOME account set-asides for housing counseling and ADDI are discussed in more detail in **Appendix A**. Since FY2012, the only set-asides funded within the HOME account have been HOME formula grants for the insular areas (Guam, the Northern Mariana Islands, the U.S. Virgin Islands, and American Samoa).

[50] 42 U.S.C. §12771

[51] 24 C.F.R. §92.300 defines what it means for a CHDO to own, develop, or sponsor affordable housing.

[52] Furthermore, as described further in footnote 72, certain concerns about the oversight of HOME program funds were raised around 2011; these concerns may have also impacted appropriations decisions. In FY2012 and FY2013, annual appropriations acts included certain additional requirements for HOME funds; in 2013, HUD published a final rule that made more permanent changes to program regulations that included provisions that were similar, but not identical, to these appropriations act requirements.

Table 1 shows annual appropriations levels for the HOME program from FY1992 to FY2021, including the amounts appropriated for formula grants and for set-asides. The figures are not adjusted for inflation.

Table 1. Appropriations for the HOME Account, FY1992-FY2021

(dollars in millions)

Fiscal Year	HOME Formula Grants	HOME Set-Asides	HOME Account Total[a]
1992	1,460	40	1,500
1993	988	12	1,000
1994	1,213	62	1,275
1995	1,336	64	1,400
1996	1,361	39	1,400
1997	1,332	68	1,400
1998	1,438	62	1,500
1999	1,550	50	1,600
2000	1,553	47	1,600
2001	1,734	62	1,796
2002	1,743	53	1,796[b]
2003	1,850	137	1,987
2004	1,855	150	2,006
2005	1,785	115	1,900
2006	1,677	81	1,757
2007	1,677	81	1,757
2008	1,625	79	1,704
2009	1,805	20[c]	1,825[d]
2010	1,803	22	1,825
2011	1,587	19	1,607
2012	998	2	1,000
2013	946	2	948[e]
2014	998	2	1,000
2015	898	2	900
2016	948	2	950
2017	948	2	950
2018	1,359	3	1,362
2019	1,248	3	1,250
2020	1,347	3	1,350
2021	1,347	3	1,350

Source: Figures are from HUD's FY1994-FY2021 Budget Justifications and annual appropriations acts.

a. Totals may not add due to rounding. All appropriations figures are post-rescission and do not include any supplemental emergency or disaster funding.

b. The original HOME appropriation for FY2002 was $1,846 million, with $103 million of that amount accounting for HOME set-asides. This included $50 million for a "Downpayment Assistance Initiative," a precursor to the American Dream Downpayment Initiative (ADDI). However, the appropriation for the down payment assistance program was subject to the program's being authorized by June 30, 2002. This authorization did not occur in time, and a supplemental FY2002 appropriations bill (P.L. 107-206) rescinded the $50 million appropriation for down payment assistance.

c. Beginning in FY2009, the appropriation to the HOME account no longer includes set-asides for either the American Dream Downpayment Initiative or housing counseling (housing counseling was funded under its own account). Both programs are discussed in further detail in **Appendix A**.

d. Total does not include additional funding for the HOME account appropriated in the American Recovery and Reinvestment Act of 2009 (ARRA, P.L. 111-5), which was enacted in February 2009. ARRA provided supplemental appropriations to a number of programs with the intention of stimulating the economy. The HOME account received $2.25 billion under ARRA, which was in addition to its regular FY2009 appropriation. However, rather than being used for traditional HOME program activities, Congress specified that the HOME funding appropriated under ARRA was to be used solely for states to provide gap financing to stalled Low-Income Housing Tax Credit (LIHTC) projects. This funding is referred to as the Tax Credit Assistance Program (TCAP). For more information on TCAP, see HUD's archived webpage on the program at https://archives.hud.gov/recovery/programs/tax.cfm.

e. The FY2013 figures include reductions due to sequestration.

The HOME Formula

HUD distributes the funds appropriated to the HOME program to participating jurisdictions using a formula. By law, 40% of the funds are allocated to states and the remaining 60% are allocated to localities.[53] For the purposes of the HOME program, the District of Columbia and Puerto Rico are considered to be states.[54]

Before distributing funds to states and localities, HUD sets aside the greater of $750,000 or 0.2% of the total HOME appropriation for the *insular areas*, defined in statute as Guam, the Northern Mariana Islands, the United States Virgin Islands, and American Samoa.[55] In FY2020, the amount set aside for the insular areas was $2.7 million.

The HOME formula takes into account six factors.[56] Four of these factors are weighted 20%:

- The number of occupied rental units in a jurisdiction that have at least one of four problems: (1) overcrowding, defined as more than one occupant per room; (2) incomplete kitchen facilities, defined as the lack of a sink with running water, a range, or a refrigerator; (3) incomplete plumbing, defined as the lack of hot and cold piped water, a flush toilet, or a bathtub or shower that is inside the unit and used solely by the unit's occupants; or (4) high rent costs, defined as rent that costs more than 30% of the household's income.
- The number of rental units in a jurisdiction that were built before 1950 and are occupied by poor households.
- The number of occupied rental units in a jurisdiction that have at least one of the four problems discussed above (overcrowding, incomplete kitchen facilities, incomplete plumbing, or high rent costs) multiplied by the ratio of the cost of

53 42 U.S.C. §12747.

54 42 U.S.C. §12704.

55 The set-aside amount is allocated among the four insular areas by a formula established at 24 C.F.R. §92.60, which differs from the broader HOME program formula.

56 24 C.F.R. §92.50.

producing housing within the jurisdiction to the cost of producing housing nationally.

- The number of families at or below the poverty level in a jurisdiction.

The remaining two factors are weighted 10%:

- The number of rental units in a jurisdiction, adjusted for vacancies, where the head of household's income is at or below the poverty line. This number is multiplied by the ratio of the national rental unit vacancy rate over the jurisdiction's rental unit vacancy rate.
- The jurisdiction's population multiplied by its net per capita income.[57]

Grants to States in FY2020

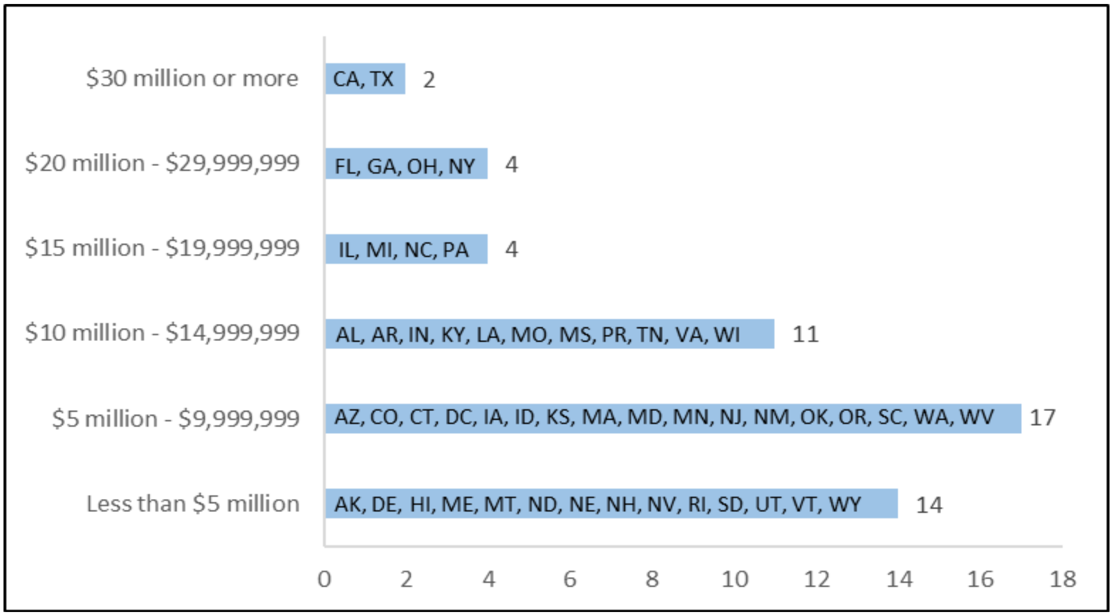
In FY2020, every state received a HOME formula grant.[58] (This includes Washington, D.C. and Puerto Rico, which are considered states for the purposes of the HOME program.) The median state grant amount was about $8 million, and the mean grant was over $10 million.[59] California received the largest state allocation at over $42 million, followed by Texas at over $35 million. Seven states received the minimum allocation of $3 million (Alaska, Delaware, Hawaii, Nevada, North Dakota, South Dakota, and Vermont). As shown in **Figure 1**, about 30 states received less than $10 million in funding (including the 7 states that received the $3 million minimum), and all but 6 states received less than $20 million.

[57] A jurisdiction's net per capita income is computed by subtracting the per capita income of a family of three at the poverty threshold from the jurisdiction's per capita income. An index is constructed by dividing the national net per capita income (which is computed in the same way) by a jurisdiction's net per capita income (24 C.F.R. §92.50).

[58] Information on HOME and other HUD formula grant allocations is available on HUD's website at https://www.hud.gov/program_offices/comm_planning/budget. In addition, the HUD Exchange website provides a searchable database of allocations for HOME and certain other programs at https://www.hudexchange.info/grantees/allocations-awards/.

[59] The median state grant amount was $8,136,631 and the mean state grant amount was $10,383,077. Average and median state grant amounts include the 50 states, the District of Columbia, and Puerto Rico, but exclude grants to insular areas.

Figure 1. HOME Grants to States in FY2020



Source: Figure created by CRS based on HUD data.

Note: Figure only includes formula grants to states, not grants to PJs within states, and includes Washington, DC, and Puerto Rico.

Grants to Localities and Consortia in FY2020

In FY2020, over 590 localities or consortia also received their own HOME formula grant allocations.[60] The median grant to localities was almost $780,000 and the mean grant was nearly $1.4 million.[61] New York City received the largest grant at nearly $75 million, followed by Los Angeles at over $28 million. Almost 400 localities received formula grants of less than $1 million. The smallest formula grant amount to a locality was about $192,000 to Bay City, MI.[62]

Appendix B at the end of this report shows the number of participating jurisdictions (localities and consortia) in each state in FY2020. It also shows the total amount of formula grant funding that each state and its participating jurisdictions received that year.

Matching Requirement

Two stated goals of the HOME program are to leverage federal affordable housing funds by encouraging state, local, and private investment in affordable housing activities, and to increase the capacity of states and localities to meet their affordable housing needs.[63] Accordingly, the HOME statute requires participating jurisdictions to match the HOME funds that they spend in a fiscal year with their own 25% permanent contribution to affordable housing activities.

[60] Forty-nine states and Puerto Rico had at least one locality that was a participating jurisdiction and received its own HOME funding in FY2020. Wyoming had no localities that received their own allocations of HOME funds.

[61] Specifically, the median grant amount for localities was $779,238 and the mean grant amount for localities was $1,374,661.

[62] About 140 localities received formula grants under the $500,000 minimum in FY2020. These localities met the minimum funding threshold in the first year in which they became participating jurisdictions.

[63] 42 U.S.C. §12722.

A PJ's matching funds can come from a wide variety of non-federal sources, including state or local governments, charitable organizations, and the private sector. The matching funds must be devoted to affordable housing activities that are eligible under the HOME guidelines, but they do not necessarily have to support projects that use HOME funds. The match can also take many forms, including in-kind contributions such as labor, construction materials, and land for HOME-eligible projects. Other contributions, such as foregone taxes, other foregone fees, and infrastructure improvements, may also count toward the matching requirement if they are used specifically for projects funded by HOME dollars. The matching requirement may not be met using federal funds.[64]

The matching requirement must be met in the same fiscal year that HOME funds are used, but if a jurisdiction provides more matching funds than are required in a given year, it can carry those funds forward to meet the matching requirement in subsequent years.[65] The statute directs the Secretary to reduce or eliminate a participating jurisdiction's match requirement if the PJ certifies that it is under a condition of fiscal distress. The Secretary can choose to reduce or eliminate the match requirement if the President declares the jurisdiction to be a major disaster area.[66]

Although nearly all HOME funds are subject to the matching requirement, certain uses of funds are not required to be matched by the PJ. Funds that do not have to be matched include forgiven loans to Community Housing Development Organizations (CHDOs), funds used for administrative purposes (up to an allowable limit), and funds used to fill the threshold gap between a locality's formula allocation and its required $750,000 contribution to affordable housing activities, unless state HOME funds are used to fill this gap.

Leveraging

Leveraging refers to a program's ability to use its own program dollars to attract additional funding from other sources, including non-federal sources of funds. Leveraging can be an important concept for affordable housing because attracting multiple funding sources makes projects more feasible, and because the ability to attract other sources of funds could reduce the amount of federal funding that needs to be invested in a project. Attracting other types of funding for affordable housing can also help to build the capacity of organizations that might not be able to undertake projects without the assistance of HOME funds. HOME does not have a specific leveraging requirement, although PJs do have to meet the matching requirement described previously.

HUD reports leveraging statistics for HOME. According to HUD, for HOME-assisted units completed between FY1992 (the first year in which the program was funded) and September 30, 2020, $4.49 in non-HOME funds were used for every dollar of HOME funds.[67] This amount

[64] Requirements governing the matching contribution are at 42 U.S.C. §12750 and 24 C.F.R. §§92.218-92.222.

[65] 24 C.F.R. §92.221(b).

[66] The Secretary is required to reduce a jurisdiction's match requirement by 50% if the jurisdiction certifies that it is in a condition of fiscal distress and by 100% if the jurisdiction certifies that it is in a condition of severe fiscal distress. A jurisdiction other than a state is considered to be fiscally distressed if it (1) has an average poverty rate in the preceding calendar year that is equal to or greater than 125% of the average national poverty rate, or (2) has an average per capita income in the preceding calendar year that is less than 75% of the average national per capita income. A jurisdiction is considered severely fiscally distressed if it meets both of these conditions. The Secretary may choose to reduce a jurisdiction's match requirement by up to 100% if the jurisdiction is in an area in which a declaration of a disaster under the Stafford Act is in effect for any part of the fiscal year.

[67] HUD, Office of Community Planning and Development, HOME National Production Report, September 30, 2020. The National Production Reports are available at https://www.hudexchange.info/manage-a-program/home-national-

includes other federal funding sources as well as funding from other sources (such as states, local governments, and private entities).[68]

Uses of HOME Funds

HUD reports a number of HOME program performance statistics.[69] These include statistics on the types of completed units that have been assisted with HOME funding (rental units, homebuyer units, and homeowner units,), the eligible activities funded with HOME dollars (rehabilitation, new construction, acquisition, and households that have received TBRA), and characteristics of households that benefit from HOME funds.

Types of Units (Homeowner, Homebuyer, or Rental)

Between the beginning of the HOME program in FY1992 and September 30, 2020, over 1.3 million units of affordable housing were constructed, rehabilitated, or acquired using HOME funding, and about 379,000 families were assisted through tenant-based rental assistance.[70] Together, this amounts to 1.7 million homes and TBRA-assisted households that have benefitted from HOME funds since the program's inception.

Units assisted with HOME funds can be homeowner units (that is, existing owner-occupied housing that is rehabilitated with HOME funds), homebuyer units (owner-occupied housing where HOME funds are used to help prospective homebuyers acquire, rehabilitate, or construct the home), or rental units. Of the physical units that have used HOME funds since the program's inception (that is, excluding households that received TBRA), homebuyer units represent the largest share, followed by rental units. As shown in **Figure 2**, 41% of all HOME-assisted units to date are homebuyer units (about 544,000 units), 40% are rental units (about 528,000 units), and 19% are homeowner units (about 255,000 units).

production-reports/.

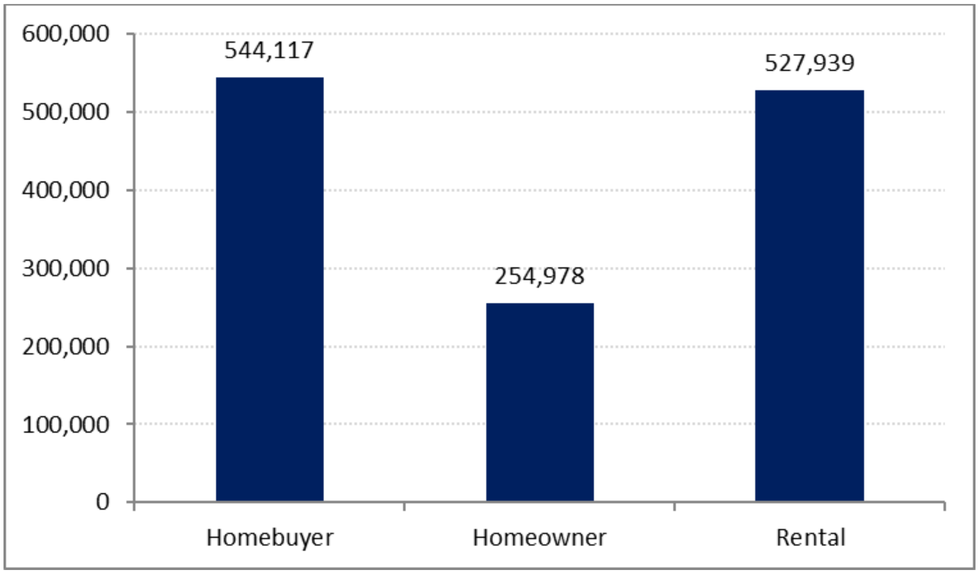
[68] In the past, the Government Accountability Office (GAO) has noted that alternative leverage measures can provide additional information about a program's effectiveness at leveraging different types of funds, and that leverage ratios will differ depending on the type of spending (e.g., other federal spending, state and local spending, or private spending) included. See U.S. Government Accountability Office, GAO-08-136, *More Information on Leverage Measures' Accuracy and Linkage to Program Goals is Needed in Assessing Performance*, January 2008, http://www.gao.gov/new.items/d08136.pdf.

[69] HUD reports on the HOME program are available at https://www.hudexchange.info/grantees/reports/#home-reports.

[70] Data in this section come from HUD's *HOME National Production Report* from September 30, 2020. The National Production Reports are available at https://www.hudexchange.info/programs/home/home-national-production-reports/.

Figure 2. Cumulative HOME-Assisted Units, by Unit Type

(through September 2020)

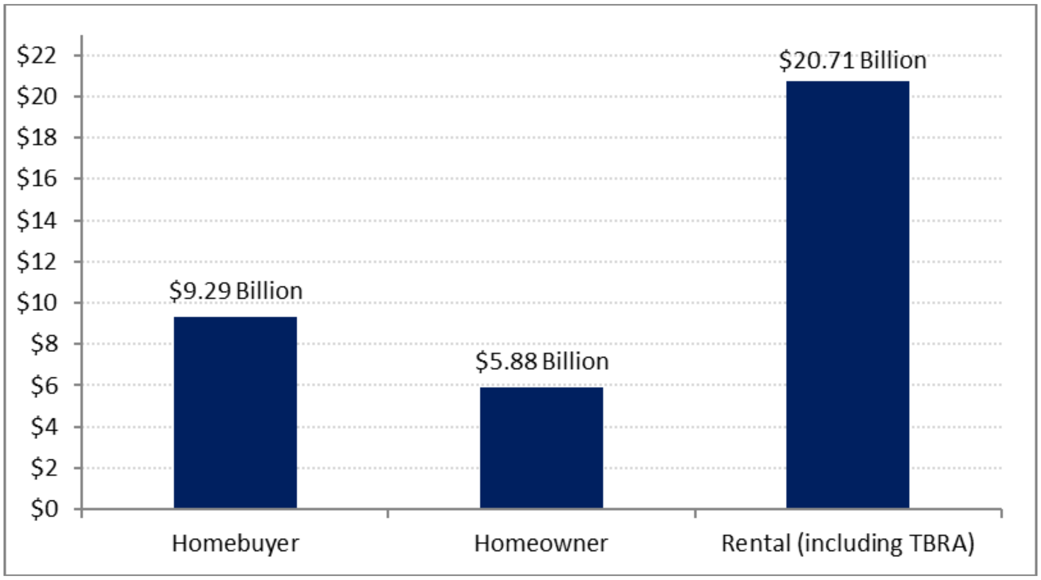


Source: Figure created by CRS based on data in HUD's September 30, 2020, HOME National Production Report.

Note: Rental units only include physical units, and do not include households receiving TBRA.

In addition to statistics on completed units, HUD also reports how much HOME funding was used for each unit type. Since the program began, nearly $36 billion of HOME funding has been spent on units that were completed as of September 30, 2020. As shown in **Figure 3**, nearly $21 billion (58%) of HOME funding that has been spent on completed units was used for rental units or TBRA, while $9 billion (26%) was used for homebuyer units and $6 billion (16%) for homeowner units. Of the $21 billion of HOME funds spent on rental housing since the program began, about $1 billion has been used for TBRA.

Figure 3. HOME Funds Spent by Unit Type
(through September 2020; $ in billions)



Source: Figure created by CRS based on data in HUD's September 30, 2020, HOME National Production Report.

Note: Rental units include households receiving TBRA.

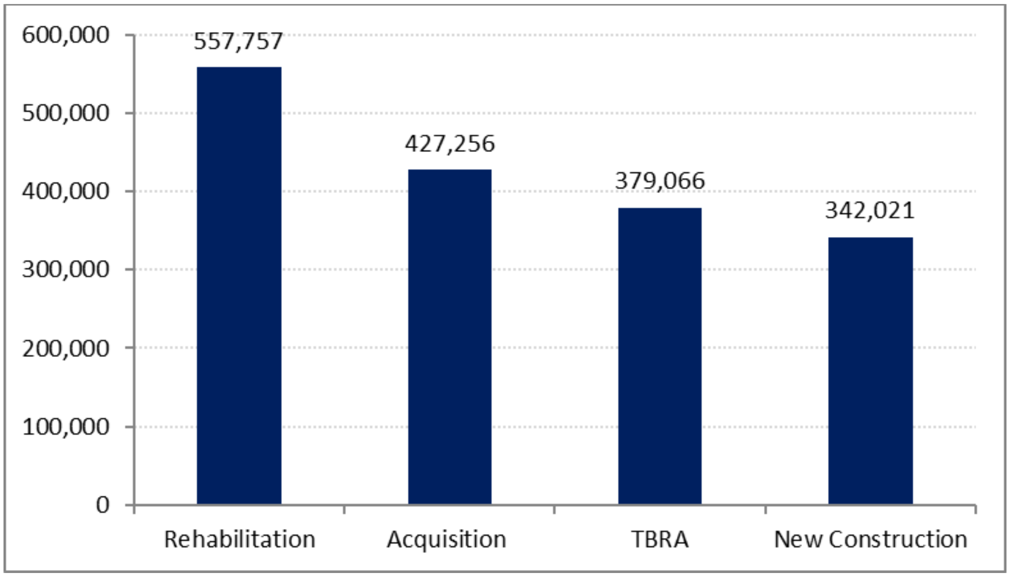
Types of Activities (Rehabilitation, Acquisition, New Construction, or Tenant-Based Rental Assistance)

Eligible uses of HOME funds generally fall into four categories: owner-occupied housing rehabilitation activities, assistance to homebuyers, rental housing development activities, and tenant-based rental assistance. The HOME statute specifies that rehabilitation of both rental and homeowner units should be given preference over other types of eligible uses of HOME funds, such as acquiring or constructing affordable housing.

As shown in **Figure 4**, of the 1.7 million housing units and TBRA households that have been assisted using HOME funding from the program's beginning through September 2020, nearly 558,000 (33%) were rehabilitated units, about 427,000 (25%) were acquired units, and about 342,000 (20%) were newly constructed units. An additional 379,000 (22%) of "units" were households that received TBRA rather than physical housing units.

Figure 4. Number of Cumulative HOME-Assisted Units and Households Receiving TBRA by Activity Type

(through September 2020)



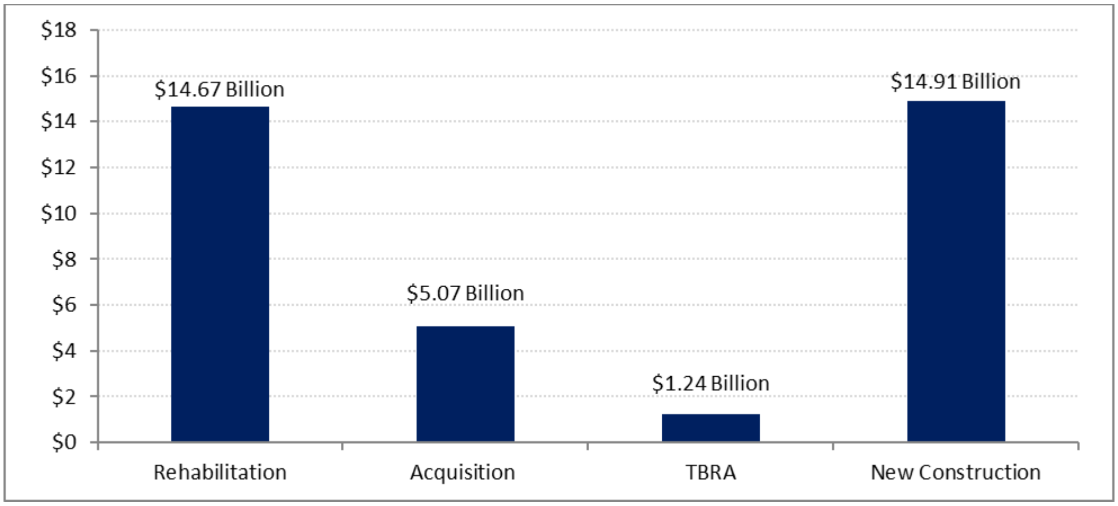
Source: Figure created by CRS based on data in HUD's September 30, 2020, HOME National Production Report.

Some activities are more expensive than others and require a larger investment of HOME funds. Therefore, the breakdown of total HOME funding used for each eligible activity looks somewhat different than the number of units completed for each eligible activity. For example, rehabilitated units account for about one-third of the completed units (including TBRA) that used HOME funds, but the funds used for rehabilitation account for 41% of total HOME funds expended on completed units (a total of nearly $15 billion since the program's inception). Acquired units account for about a quarter of completed units that use HOME funds, but account for only about 14% of the funding (about $5 billion). New construction and TBRA each account for about 20% of completed units, but new construction accounts for 42% of the funds spent (nearly $15 billion) while TBRA accounts for only about 3% of funds spent (about $1 billion). **Figure 5** illustrates the amount of funding that has been spent on each activity since the program began.

The difference between the percentage of funding going toward each activity and the percentage of completed units of each activity type reflects the difference in the average investment of HOME funds required for each activity. A newly constructed unit costs the most, on average: a newly constructed unit involves an average of nearly $44,000 in HOME funds, while the average HOME investment in rehabilitating a unit is $26,000 and the average HOME investment in acquiring a unit is about $12,000 in HOME funds.

Figure 5. Cumulative HOME Funds Spent by Activity Type

(through September 2020; $ in billions)

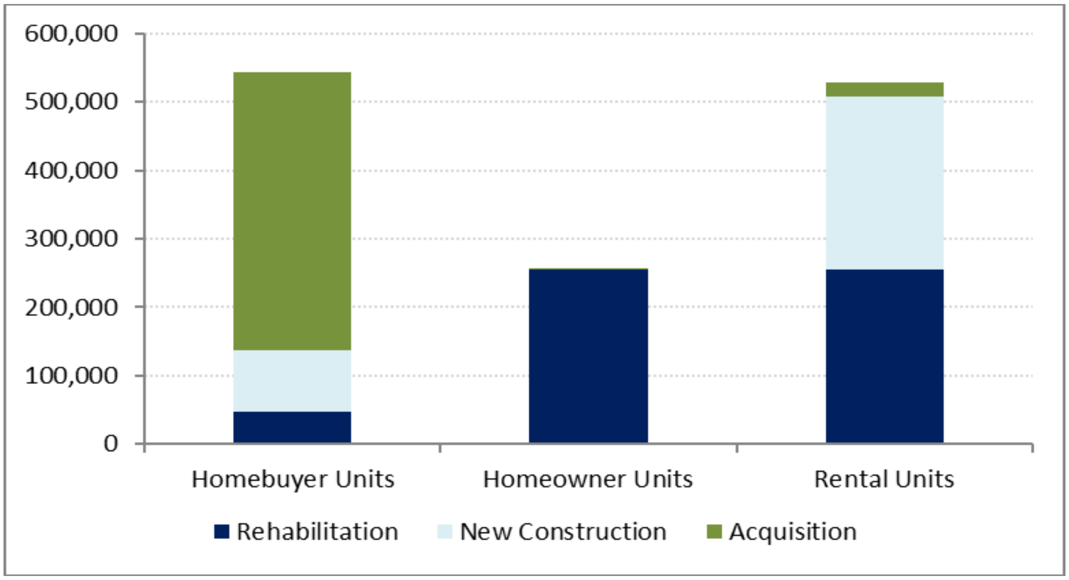


Source: Figure created by CRS based on data in HUD's September 30, 2020, HOME National Production Report.

Whether a PJ uses HOME funds for rehabilitation, acquisition, or new construction depends in part on the types of programs it is administering and the housing needs it is trying to meet. As shown in **Figure 6**, about three quarters of homebuyer units that receive HOME funds use those funds for acquisition costs (such as down payment assistance). A relatively small number of homebuyer units use HOME funds for rehabilitation or new construction. In contrast, virtually all owner-occupied units with HOME investments use those funds for rehabilitation activities. For rental units that use HOME funds, about half of the units are rehabilitated. Most of the remaining HOME rental units are newly constructed, with just a small number of rental units receiving HOME funds for acquisition costs.

Figure 6. Type of Investments in HOME Units by Unit Type

(through September 2020)



Source: Figure created by CRS based on data in HUD's September 30, 2020, HOME National Production Report.

Selected Characteristics of HOME Beneficiaries

HUD reports on certain characteristics of the households that benefit from HOME funds, including household income and household type (e.g., two-parent households, single-parent households, elderly households, etc.).

Household Income

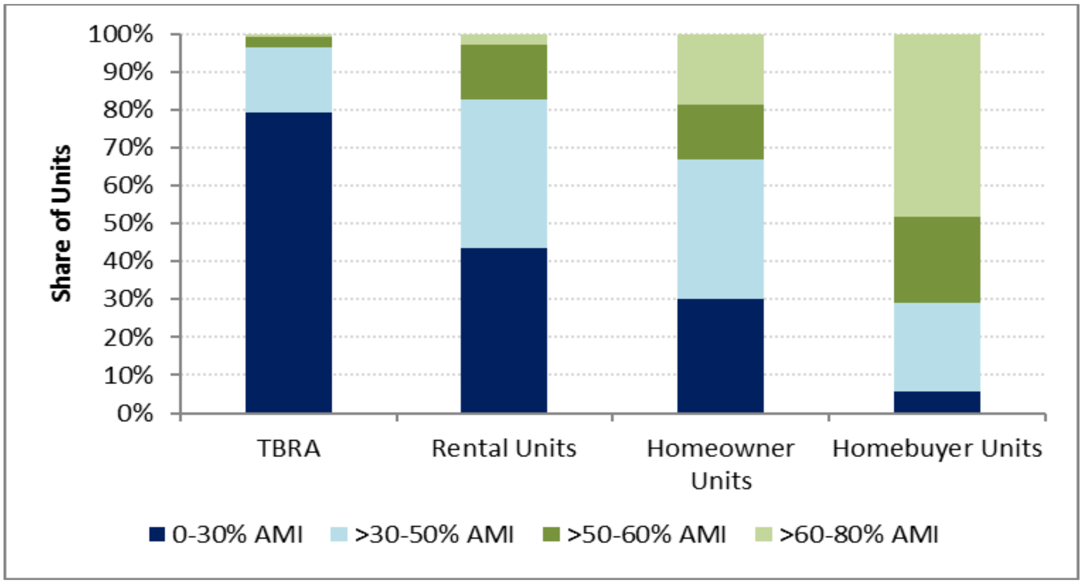
As required by statute, all HOME funds benefit families with incomes at or below 80% of area median income. Not surprisingly, HOME funds used for rental activities (including tenant-based rental assistance and the construction, acquisition, and rehabilitation of rental housing) benefit a lower-income population than funds used for homeowner and homebuyer units. As explained earlier in this report, HOME funds used for rental activities must target a lower-income population than funds used for homeowner or homebuyer activities.[71] Households at the lowest end of the income spectrum are also more likely to rent than to own their homes.

Figure 7 shows the share of units for each unit type (homeowner, homebuyer, rental, or TBRA) that has benefitted households at different income levels. As of September 2020, HUD reported that nearly 80% of HOME-assisted TBRA households were families with incomes at or below 30% of area median income (AMI), as were nearly 44% of occupants of HOME-assisted rental units. In contrast, less than one-third of HOME-assisted homeowner units benefitted households with incomes at or below 30% of area median income, and only 6% of HOME-assisted homebuyer units benefitted households with incomes in this range.

[71] Ninety percent of households receiving tenant-based rental assistance or occupying HOME-assisted rental units are required to be households with incomes at or below 60% of area median income, while the rest must be households with incomes at or below 80% of area median income. HOME funds used for homeowner and homebuyer housing are only required to benefit households with incomes at or below 80% of area median income.

Figure 7. Income of Households Occupying HOME Units

(through September 2020)



Source: Figure created by CRS based on HUD's September 30, 2020, HOME National Production Report.

Note: AMI is area median income.

Household Type

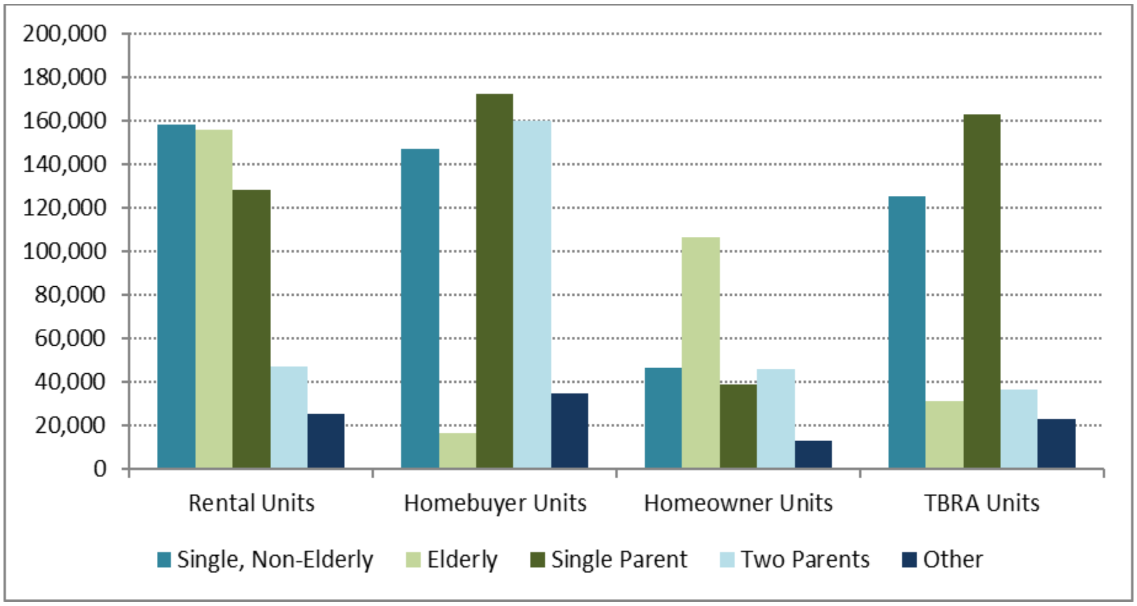
Overall, about 30% of HOME-assisted units (including households that receive TBRA) are occupied by single-parent households. Nearly another 30% are occupied by single, non-elderly households. About 18% apiece are occupied by elderly households and two-parent households, and about 5% of households are categorized as "other."

As shown in **Figure 8**, different types of units are more or less likely to serve specific types of households. Specifically,

- rental units assisted with HOME funds are most likely to be occupied by single, non-elderly households or elderly households, followed closely by single-parent households; two-parent households are less likely to live in HOME-assisted rental units;
- HOME-assisted homebuyer units are most likely to be occupied by single parents or two-parent households, followed by single, non-elderly households; not surprisingly, few homebuyer units are occupied by elderly households;
- by contrast, HOME-assisted owner-occupied units are most likely to be occupied by elderly households, as elderly households might be the most likely to seek HOME funds for repairs to their existing housing; and
- HOME-funded TBRA is most commonly received by single-parent households, followed by single, non-elderly households.

Figure 8. Household Types Served with HOME Funds

(through September 2020)



Source: Figure created by CRS based on data from HUD's September 30, 2020, HOME National Production Report.

Program Oversight

Oversight of the HOME program involves monitoring both processes and outcomes. Monitoring processes includes ensuring that HOME funds are committed and expended according to the timelines specified in statute and regulation and that program requirements are followed.[72] Monitoring outcomes includes ensuring that investments of program funds ultimately help to achieve the program's goal, namely, providing housing that is affordable to low-income households.

Given HOME's structure as a block grant program, participating jurisdictions (PJs) bear much of the responsibility for ensuring that subrecipients adhere to HOME program requirements and that specific projects result in their intended outcomes. Nonetheless, HUD is ultimately responsible for overseeing PJs' use of HOME funds to ensure that HOME funds are spent properly.

[72] The discussion in this report reflects certain changes to the HOME program regulations that HUD finalized in 2013, many of which were related to oversight of program funds. These changes followed some concerns about program oversight, including issues raised in a series of investigative articles in the *Washington Post* and discussed in subsequent congressional hearings. For more information on the changes made by the 2013 final rule, see HUD's website at https://www.hudexchange.info/programs/home/home-final-rule/highlights-of-the-changes-in-the-home-final-rule. For more information on the concerns that were raised about program oversight, see U.S. Congress, House Committee on Financial Services, *Oversight of HUD's HOME Program*, 112th Cong., 1st sess., June 3, 2011, https://financialservices.house.gov/uploadedfiles/112-36.pdf; and U.S. Congress, House Committee on Financial Services, Subcommittee on Insurance, Housing and Community Opportunity and Subcommittee on Oversight and Investigations, *Fraud in the HUD HOME Program*, 112th Cong., 1st sess., November 2, 2011, https://financialservices.house.gov/uploadedfiles/112-81.pdf.

HUD's Oversight of PJs

HUD's oversight of PJs includes activities that occur both before and after funds are granted to PJs. Before granting funds to PJs, HUD must approve PJs' Consolidated Plans. As described earlier in the "The Consolidated Plan" section of this report, PJs submit Consolidated Plans to HUD describing their affordable housing needs and specifying how HOME funds will be used to meet those needs.[73] HUD may disapprove a PJ's Consolidated Plan under certain conditions.[74]

After funds are granted to PJs, HUD's oversight includes ensuring that PJs' activities match their Consolidated Plans and monitoring how and when PJs spend their funds. PJs report their commitments and expenditures of HOME funds to HUD through a computer system known as the Integrated Disbursement & Information System (IDIS), along with the activities to which funds are committed or expended. HUD uses this system to track PJs' commitments and expenditures of HOME funds and the progress of projects that are using HOME funds. HUD also publishes a number of reports related to PJs' activities and the status of HOME funds on its website.[75]

The HOME statute and regulations include provisions requiring PJs to lose or repay HOME funds to HUD if they are not spent in a timely manner or are not used for housing that meets the HOME requirements. Relevant deadlines for using funds include the following:

- By statute, PJs have 24 months to commit HOME funds before they expire.[76] Expired funds are reallocated by formula to eligible PJs.[77] (In recent years, annual appropriations acts have suspended this provision for funds that were set to expire in specified years.[78])
- The statute separately specifies that PJs have 24 months to commit funds that are required to be reserved for CHDOs.[79] (In recent years, annual appropriations acts have sometimes suspended this provision for funds that would otherwise have expired in specified years.[80])
- Funds that are committed to a state recipient (that is, a local government that receives state HOME funds to carry out HOME programs) or subrecipient (a

[73] Regulations governing the Consolidated Plan requirements are at 24 C.F.R. Part 91. Additional information on consolidated planning is available on HUD's website at https://www.hudexchange.info/programs/consolidated-plan/.

[74] See 24 C.F.R. §91.500.

[75] These reports are available at https://www.hudexchange.info/grantees/reports/#home-reports.

[76] 42 U.S.C. §12748(g). Regulations implementing this provision are at 92 C.F.R. §92.500(d). HUD changed the way in which it assesses compliance with this 24-month deadline beginning with HOME funds appropriated in FY2015. For an explanation of those changes, see Department of Housing and Urban Development, "Changes to HOME Investment Partnerships (HOME) Program Commitment Requirement," 81 *Federal Register* 86947-86953, December 2, 2016, https://www.federalregister.gov/documents/2016/12/02/2016-28591/changes-to-home-investment-partnerships-home-program-commitment-requirement.

[77] The HOME statute specifies that reallocations that come from state HOME funds will only be reallocated among participating states, and reallocations from localities will only be reallocated among participating localities. See 42 U.S.C. §12747(d)(3).

[78] For example, see HUD CPD Notice 18-10, *Suspension of 24-Month HOME Commitment Requirement for Deadlines Occurring in 2016, 2017, 2018, 2019, and 2020*, August 27, 2018, https://www.hud.gov/sites/dfiles/OCHCO/documents/18-10cpdn.pdf.

[79] 42 U.S.C. §12771.

[80] For example, see HUD, "Suspension of the HOME Commitment and CHDO Reservation Deadline," March 7, 2019, https://www.hudexchange.info/news/suspension-of-the-home-commitment-and-chdo-reservation-deadline/.

nonprofit or public agency that administers all or some of a PJ's HOME programs) must be committed to a specific project within 36 months of the funds first being made available to a PJ.[81]

- PJs are to repay any funds spent on projects that are not completed as of four years of the date the funds were committed.[82]
- PJs are to repay funds spent on rental units that have not been rented to eligible tenants within 18 months of the project's completion.[83]
- HOME funds that are not expended within five years of the end of the period of availability specified in appropriations acts revert to Treasury.[84]

PJs are required to repay HOME funds used for any activities that do not meet the affordability period requirements or for activities that are terminated before project completion.[85] In addition, the Secretary of HUD also has the authority to impose penalties on PJs that misuse HOME funds, such as preventing PJs from drawing down HOME funds, restricting PJs' activities, or removing PJs from formula allocations.[86]

PJs' Oversight of Entities Receiving HOME Funds

While HUD is responsible for overseeing PJs, PJs are responsible for ensuring that their HOME-funded activities meet program requirements. PJs oversee subrecipients and any other entities that receive HOME funds from the PJ, and are supposed to monitor performance and address any problems. Participating jurisdictions must also comply with record-keeping and monitoring requirements to ensure that they are using funds appropriately, making progress toward their housing goals, and generally funding activities in line with their Consolidated Plans.[87]

Before disbursing any HOME funds to an entity (including a subrecipient, a contractor, or a household), a PJ must enter into a written agreement with that entity. These written agreements may vary based on the project type and the entity's role, but all must ensure compliance with HOME program requirements. Certain minimum provisions that must be included in different types of agreements are described in the HOME program regulations at 24 C.F.R. §92.504.

PJs are to review the performance of subrecipients and contractors on an annual basis. PJs must also perform on-site inspections of HOME-assisted projects when a project is completed and, for HOME-assisted rental housing, throughout the affordability period. HOME-assisted rental units

[81] 24 C.F.R. §92.500(d)(1)(ii).

[82] 24 C.F.R. §92.205(e)(2). The Secretary of HUD may extend the deadline by one year under certain circumstances.

[83] 94 C.F.R. §92.252

[84] HOME funds are subject to the requirements of the National Defense Authorization Act of 1991 (P.L. 101-510), which required that funds appropriated for a definite period of time be spent by the end of the fifth fiscal year after the availability period ends or be returned to Treasury. Beginning in FY2002, HOME funds have been appropriated for a definite, rather than an indefinite, period of time, and have therefore become subject to these requirements. For example, the FY2020 appropriations law specifies that HOME funds appropriated in FY2020 remain available until the end of FY2023. Therefore, any funds not spent by the end of FY2028 (five years after the last date the funds were available) are to be returned to Treasury. HUD regulations had previously included a five-year expenditure deadline for HOME funds, but that deadline was removed by the 2016 interim rule in light of HOME funds now being subject to this and other deadlines for using funds. See 81 *Federal Register* 86949.

[85] 24 C.F.R. §92.503

[86] 42 U.S.C. §12753

[87] Record-keeping requirements are described at 24 C.F.R. §92.508. Reporting requirements include the submission of an annual performance report as part of the Consolidated Planning process described in 24 C.F.R. Part 91.

must be inspected at least every three years during the affordability period (or more frequently if problems related to health and safety are discovered) and the property owner must certify annually that the project and the HOME-assisted units are "suitable for occupancy." Units occupied by households receiving HOME-funded TBRA should be inspected by the PJ annually. PJs must also examine the financial viability of HOME-assisted rental projects with ten or more units at least annually during the affordability period.[88]

[88] 24 C.F.R. §92.504.

Appendix A. Select Programs Formerly Funded Within the HOME Account

For several years prior to FY2008, two major HOME account set-asides provided funding for the American Dream Downpayment Initiative and HUD's housing counseling program. However, neither of these programs is currently funded through the HOME account. Housing counseling is now funded through its own account, and Congress has not appropriated funding for the American Dream Downpayment Initiative since FY2008. Each of these programs is described briefly below.

American Dream Downpayment Initiative

The American Dream Downpayment Initiative (ADDI) was funded in the HOME account from FY2003 through FY2008.[89] ADDI was created by the American Dream Downpayment Act (P.L. 108-186), signed into law on December 16, 2003. The act included a sunset provision whereby HUD's authority to make grants through the program expired after December 31, 2007 (later extended to December 31, 2011, by the Omnibus Appropriations Act, 2009, P.L. 111-8).[90]

The program aimed to increase homeownership, especially among low-income and minority populations, by providing formula funding to all 50 states[91] and qualified local jurisdictions for down payment and closing cost assistance for first-time homebuyers. States and localities could use ADDI funds to provide closing cost and down payment assistance up to $10,000 or 6% of a home's purchase price, whichever was greater. Additionally, up to 20% of ADDI funds could be used to assist homeowners with rehabilitation costs, as long as the rehabilitation was completed within a year of the home's purchase.

The formula used to award ADDI funds to states was based on the number of low-income households residing in rental housing in the state relative to the nation as a whole. For localities, the grant amount was based on the number of low-income households residing in rental housing in the jurisdiction relative to the entire state. In order for a local jurisdiction to receive its own allocation of ADDI funds, it had to have a population of at least 150,000 or be eligible for a minimum grant of $50,000 under the ADDI formula.

While supporters of ADDI held that the program played an important role in increasing homeownership, critics argued that it was duplicative because states and localities could already choose to use their HOME funds for down payment assistance. ADDI was originally authorized to receive $200 million annually through FY2007, but the program never received more than $86 million in appropriations. The Consolidated Appropriations Act, 2008 (P.L. 110-161) appropriated $10 million to ADDI and extended the program through the end of FY2008. President George W. Bush's budget requested $50 million for ADDI in FY2009; however, the Omnibus Appropriations

[89] Although funding was appropriated for down payment assistance in FY2003, ADDI was not signed into law until December 2003. The FY2003 down payment assistance funding was distributed according to a different formula and a different set of requirements than the ADDI funding in subsequent years.

[90] ADDI was codified at 42 U.S.C. §12821, though that section has subsequently been omitted from the U.S. Code due to the expiration of the program. Program regulations can be found beginning at 24 C.F.R. §92.600.

[91] The definition of "state" was different under ADDI than under HOME. Specifically, ADDI did not include Puerto Rico as a state after FY2003. Insular areas were not eligible to receive ADDI funds. See HUD, *American Dream Downpayment Initiative (ADDI) – Side-by-Side Comparison of Downpayment Assistance Requirements—by Source of Funds*, https://www.hud.gov/sites/documents/20604_SIDEBYSIDE.PDF.

Act, 2009 (P.L. 111-8) did not include funding for ADDI, and the program was not funded subsequently.

Housing Counseling

From FY1997 through FY2008, funding for HUD's housing counseling program was appropriated as a set-aside in the HOME account. Through the housing counseling program, authorized under section 106 of the Housing and Urban Development Act of 1968 (P.L. 90-448),[92] as amended, HUD competitively awards funding to HUD-approved agencies that provide counseling on a range of housing issues.[93]

For several years in the 2000s, President Bush requested that housing counseling be funded through its own account, but until FY2009 Congress continued to fund housing counseling as a set-aside in the HOME account. In FY2009, Congress appropriated funding for housing counseling in its own account rather than as a set-aside within HOME, and has continued to do so in subsequent fiscal years.

[92] The housing counseling program is codified at 12 U.S.C. §1701x, and the regulations governing the program are found at 24 C.F.R. Part 214.

[93] For more information on HUD's housing counseling program, see https://www.hudexchange.info/programs/housing-counseling/.

Appendix B. Distribution of Participating Jurisdictions and Total HOME Funding by State

Table B-1. Distribution of Participating Jurisdictions and Formula Funding by State for FY2020

(dollars in millions)

State	State Allocation Amount	Number of Local PJs in the State	Total Amount Allocated to Local PJs in the State
Alabama	$11.38	8	$6.33
Alaska	$3.0	1	$0.72
Arizona	$5.46	6	$17.36
Arkansas	$10.12	4	$1.69
California	$42.39	96	$143.08
Colorado	$6.73	10	$11.82
Connecticut	$9.45	6	$5.88
Delaware	$3.0	2	$1.56
Dist. of Columbia	$5.58	0	—
Florida	$20.05	36	$48.92
Georgia	$23.20	12	$14.88
Hawaii	$3.0	1	$3.10
Idaho	$5.25	1	$0.78
Illinois	$16.63	16	$39.81
Indiana	$14.60	13	$11.73
Iowa	$7.88	7	$3.78
Kansas	$6.36	5	$4.43
Kentucky	$13.84	4	$5.28
Louisiana	$10.36	9	$8.59
Maine	$4.28	2	$1.54
Maryland	$6.28	7	$11.76
Massachusetts	$9.78	19	$24.27
Michigan	$17.27	19	$24.05
Minnesota	$8.39	6	$10.02
Mississippi	$10.25	3	$1.72
Missouri	$12.32	8	$11.85
Montana	$3.13	3	$1.02
Nebraska	$3.96	2	$3.50
Nevada	$3.0	4	$8.32
New Hampshire	$3.84	2	$1.12

State	State Allocation Amount	Number of Local PJs in the State	Total Amount Allocated to Local PJs in the State
New Jersey	$5.12	27	$30.15
New Mexico	$5.25	2	$2.52
New York	$25.71	29	$102.33
North Carolina	$18.17	19	$19.42
North Dakota	$3.0	1	$0.50
Ohio	$24.33	23	$30.49
Oklahoma	$8.53	5	$6.07
Oregon	$9.19	6	$9.16
Pennsylvania	$19.50	31	$37.32
Puerto Rico	$13.33	11	$8.84
Rhode Island	$3.62	3	$2.67
South Carolina	$7.24	14	$9.88
South Dakota	$3.0	1	$0.51
Tennessee	$14.43	9	$9.41
Texas	$35.34	41	$57.92
Utah	$3.50	4	$4.61
Vermont	$3.0	1	$0.47
Virginia	$10.66	20	$15.79
Washington	$6.41	17	$20.82
West Virginia	$5.11	5	$2.55
Wisconsin	$11.22	11	$13.47
Wyoming	$3.50	0	—
Totals	***$539.92***	***592***	***$813.80***

Source: U.S. Department of Housing and Urban Development, Community Planning and Development Program Formula Allocations for FY2020, available at https://www.hud.gov/program_offices/comm_planning/budget.

Table B-2. Formula Funding for Insular Areas for FY2020

(dollars in millions)

Insular Area[a]	Number of PJs	Formula Grant Funding
American Samoa	—	$0.26
Guam	—	$1.06
Northern Mariana Islands	—	$0.46
Virgin Islands	—	$0.91
Insular Areas Total	**—**	**$2.69**

Source: U.S. Department of Housing and Urban Development, Community Planning and Development Program Formula Allocations for FY2020, available at https://www.hud.gov/program_offices/comm_planning/budget.

a. Insular areas are funded by a set-aside of HOME funds equal to the greater of $750,000 or 0.2% of the HOME appropriation for the fiscal year, which is then allocated among the four insular areas.

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