DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of Community Planning and Development

HOME Investment Partnerships Program

SUMMARY OF RESOURCES

(Dollars in Thousands)

	Enacted/ Requested	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Net Outlays
2021 Appropriation	1,350,000	460,220	4,950,000	6,760,220	6,507,652	863,358
2022 Annualized CR	1,350,000	249,095	-	1,599,095	1,262,031	1,967,054
2023 President's Budget	1,950,000	337,064	-	2,287,064	1,800,441	2,775,379
Change from 2022	600,000	87,969	-	687,969	538,410	808,325

a/ 2020 Carryover into 2021 column includes $2.114 million of funds recaptured in 2021.
b/ 2021 supplemental includes $4.95 billion in American Rescue Plan funds, pursuant to Public Law Number 117-2.

PROGRAM PURPOSE

HOME is the primary Federal tool of States and local governments for the production of affordable rental and owner-occupied housing for low-income to extremely low-income families, including mixed-income housing and housing for homeless and persons with HIV/AIDS. It is an anchor of this nation's affordable housing finance system and can be an important factor for community revitalization. For many States and local governments, HOME is the only reliable stream of affordable housing development funds available to them.

BUDGET OVERVIEW

The 2023 President's Budget requests $1.95 billion for the HOME Investment Partnerships Program, which is $600 million more than the 2022 CR annualized level. The Budget includes a $100 million set-aside for a FirstHOME Downpayment Assistance initiative to States and insular areas to better ensure sustainable homeownership. The increase to HOME reflects the Administration's recognition of the need to increase the production of and access to affordable housing.

JUSTIFICATION

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

Funding Impact

An investment of HOME funds at the requested level will result in the following over time:

- 17,909 units of affordable housing for new homebuyers;
- 15,169 units of newly constructed and rehabilitated affordable rental units;
- 8,547 units of owner-occupied rehabilitated housing for low-income homeowners; and

- 15,244 low-income households assisted with HOME tenant-based rental assistance.

Funding at the requested level would require HOME participating jurisdictions to provide $487.5 million in matching contributions and, based on historical activity, would leverage a total of approximately $8.9 billion in public and private funds.

FirstHOME Downpayment Assistance

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

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

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

Need for HOME Funds

HOME funds are critically needed, as documented by HUD's survey results in the *Worst Case Housing Needs: 2021 Report to Congress*, which states that in 2019, 7.7 million households had worst case needs.[2] Most of these households had extremely low incomes (74 percent or 5.7 million) and 97.5 percent had severe housing cost burdens. These are households that do not receive government housing assistance and pay more than one-half of their incomes toward rent, and/or those that live in severely inadequate conditions.

The ratio of affordable and available units to very low-income renters followed a downward path from 2009 to 2017. After 2017, there was some improvement, with the ratio increasing from 59 units per 100 renter households in 2017 to 62 units per 100 renter households in 2019. For extremely low-income households, the ratio of affordable and available units did not change: there were only

[1] Though not a requirement for participation, the FirstHOME DPA program is designed to pair with a new Home Equity Accelerator Loan pilot product in FHA, designed to lower barriers for first-time buyers and furthering the aim of sustainable homeownership.
[2] https://www.huduser.gov/portal/publications/Worst-Case-Housing-Needs-2021.html.

40 affordable and available units for every 100 extremely low-income renter households in both 2017 and 2019.

HOME funds frequently provide the critical gap financing that make rental housing funded with Low-Income Housing Tax Credits (LIHTC) or other Federal, State, or local housing projects feasible. For example, approximately 56 percent of 63,487 completed HOME-assisted rental units were part of LIHTC projects from 2016-2021.

HUD Strategic Goals Supported by HOME

1. Support Underserved Communities: HOME funds support low-income families, which directly correlates to supporting the communities in which they reside. HOME funds must be used to benefit families and individuals who qualify as low-income (i.e., households with incomes at or below 80 percent of Area Median Income (AMI)). Historically, however, 83 percent of HOME rental units have beneficiaries with very low incomes at or below 50 percent AMI. The investment of HOME funds in rental projects increases the affordability for families at the very lowest income levels by requiring long-term income targeting and affordable rents. Nearly 44 percent of those assisted with HOME funds for rental housing were extremely low-income families (i.e., income at or below 30 percent of AMI.) When HOME funds are spent in communities, by building and rehabilitating homes, it creates or preserves local jobs. The requested HOME funding can create or preserve an estimated 34,847 jobs in the communities where HOME funds are expended. This also creates opportunities for area residents to gain economic stability and build wealth in, and spur economic growth within their local communities. HOME funds were the catalyst that resulted in the leveraging of $164.5 billion of other funds for affordable housing, with $4.61 of private or other public dollars for each HOME dollar invested in rental and homebuyer projects since the beginning of the program.
2. Ensure Access to and Increase the Production of Affordable Housing: The HOME program allows its key stakeholders, States and local governments, the discretion to determine the type of housing product they will invest in, the location of the affordable housing, and the segment of their low-income population to be served through these housing investments. This allows the stakeholders to help stabilize individuals, families, and their communities by providing decent, safe, sanitary, and affordable housing. As a result, using HOME funds, participating jurisdictions have completed 1,347,147 affordable units in the past 30 years, of which 551,805 were for new homebuyers, 258,137 were for owner-occupied rehabilitated housing, and 537,205 were new and rehabilitated rental units. The HOME program has helped ensure access to affordable housing by providing 362,662 low-income families in the past 30 years with tenant-based rental assistance, of which 96.4 percent were very low-income (i.e., income at or below 50 percent of AMI.)
3. Promote Homeownership: The HOME program has longstanding success in promoting homeownership. In the past 30 years, participating jurisdictions used HOME funds to create 551,805 units for new, low-income homebuyers, and rehabilitate 258,137 units for low-income homeowners.

Equity

Public policies and disparities in law have contributed to a lack of equal opportunity, health, and prosperity for many Americans and their communities. HUD is part of the Administration's effort to strive for racial equity and provide support to underserved communities. The HOME program, in particular, is a proven Federal tool that advances equity because of its flexibility for State and local governments to target community needs.

Risk and Evaluating the Effectiveness of the Program

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

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

HOME Investment Partnerships Program Allocations by State for 2021 Enacted, 2022 Annualized Budget Authority and the

2023 Budget Request

(Dollars in Thousands)

STATE or TERRITORY	ARP Actual FY 2021	Actual FY 2021	Annualized FY 2022	Estimate FY 2023
Alabama	64,746	17,558	17,282	24,321
Alaska	7,697	3,743	3,699	2,891
Arizona	83,258	22,709	22,763	31,275
Arkansas	43,745	11,824	12,087	16,432
California	667,163	182,064	179,856	250,610
Colorado	67,023	18,251	18,196	25,176
Connecticut	57,768	15,670	15,976	21,700
Delaware	11,095	4,581	4,633	4,168
District of Columbia	19,315	5,574	5,535	7,255
Florida	251,669	68,621	69,047	94,536
Georgia	140,400	38,083	38,239	52,739
Hawaii	17,534	6,045	5,980	6,586
Idaho	22,397	6,052	6,122	8,413
Illinois	203,978	55,601	55,059	76,621
Indiana	96,992	26,335	26,061	36,434
Iowa	42,538	11,529	11,822	15,979
Kansas	39,319	10,672	10,775	14,770
Kentucky	71,060	19,244	19,268	26,693
Louisiana	70,124	19,041	19,282	26,341

HOME Investment Partnerships Program Allocations by State, Continued

STATE or TERRITORY	ARP Actual FY 2021	Actual FY 2021	Annualized FY 2022	Estimate FY 2023
Maine..	20,981	5,681	5,599	7,881
Maryland...	68,182	18,572	18,664	25,612
Massachusetts...................................	124,950	34,066	34,054	46,935
Michigan..	150,643	40,989	40,833	56,587
Minnesota..	66,762	18,153	17,979	25,078
Mississippi...	44,130	11,927	11,876	16,577
Missouri...	88,420	24,026	24,214	33,214
Montana..	15,021	4,067	4,047	5,642
Nebraska...	27,375	7,434	7,445	10,283
Nevada..	37,098	11,394	11,582	13,935
New Hampshire................................	18,033	4,881	4,898	6,774
New Jersey..	130,875	35,760	36,271	49,161
New Mexico.......................................	28,767	7,797	7,829	10,806
New York...	464,682	126,865	126,140	174,551
North Carolina.................................	137,414	37,358	37,403	51,617
North Dakota....................................	9,466	3,465	3,468	3,556
Ohio...	200,721	54,592	54,856	75,398
Oklahoma..	53,996	14,654	14,771	20,283
Oregon...	66,707	18,131	17,982	25,057
Pennsylvania....................................	206,462	56,237	57,067	77,554
Rhode Island....................................	23,129	6,278	22,081	30,660
South Carolina..................................	62,466	16,995	6,110	8,688
South Dakota....................................	11,133	3,504	16,993	23,464
Tennessee..	93,423	25,363	3,503	4,182
Texas...	343,538	93,527	25,275	35,093
Utah...	29,523	8,031	94,631	129,045
Vermont...	11,065	3,411	7,956	11,090
Virginia..	96,983	26,394	3,414	4,156
Washington.......................................	98,113	26,771	26,527	36,430
West Virginia....................................	28,291	7,668	7,730	10,627
Wisconsin...	89,966	24,463	26,764	36,854
Wyoming..	7,391	3,500	3,500	2,776
Puerto Rico..	81,623	22,149	24,156	33,794
Subtotal Formula Grants.......	4,915,150	1,347,300	1,347,300	1,846,300
Insular Areas................................	9,850	2,700	2,700	3,700
Downpayment Assistance............	0	0	0	99,250
Downpayment Insular Areas.......	0	0	0	750
American Rescue Plan TA...........	25,000	0	0	0
TOTALS	4,950,000	1,350,000	1,350,000	1,950,000

SUMMARY OF RESOURCES BY PROGRAM

(Dollars in Thousands)

Budget Activity	2021 Budget Authority	2020 Carryover Into 2021	2021 Total Resources	2021 Obligations	2022 Annualized CR	2021 Carryover Into 2022	2022 Total Resources	2023 President's Budget
Formula Grants	1,347,300	457,332	1,804,632	1,570,864	1,347,300	230,476	1,577,776	1,945,550
Insular Areas	2,700	2,700	5,400	1,788	2,700	3,612	6,312	4,450
Management Information Systems	-	3	3	-	-	3	3	-
Housing Counseling	-	4	4	-	-	4	4	-
Homeless Assistance and Supportive Services (ARP)	4,925,000	-	4,925,000	4,925,000	-	-	-	-
Homeless Assistance and Supportive Services (ARP) TA	25,000	-	25,000	10,000	-	15,000	15,000	-
Technical Assistance	-	181	181	-	-	-	-	-
Total	**6,300,000**	**460,220**	**6,760,220**	**6,507,652**	**1,350,000**	**249,095**	**1,599,095**	**1,950,000**

a/ 2020 Carryover into 2021 column includes $2.114 million of funds recaptured in 2021, of which $181 thousand was technical assistance.
b/ 2021 Carryover into 2022 column excludes $3.4 million in expired funds.
c/ 2023 President's Budget column includes $100 million for a FirstHOME Downpayment Assistance initiative, of which $99.250 million is included in the Formula Grants row and $750 thousand is included in the Insular Areas row.

LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS

Appropriations Language Changes

The 2023 President's Budget includes the following:

- Inserts a set-aside for a FirstHOME Downpayment initiative to States and insular areas to better ensure sustainable homeownership.
- Deletes statutory provisions that apply when the appropriation is below $1.5 billion.
- Inserts a provision to allow all remaining no-year Community Housing Development Organization funds to be allocated via the HOME formula rather than via competition.
- Extends the suspension of the 24-month commitment period for HOME funds for another year so that the funds remain with the jurisdiction. A suspension of this requirement has been included in the HOME appropriation law since 2017 and has had a favorable response from participating jurisdictions.
- Extends the suspension of the provision that requires Community Housing Development Organization funds to be recaptured if they remain uncommitted after 24 months and allows the funds to remain with participating jurisdiction and convert to HOME formula funds for an additional year. This suspension has been in the HOME appropriation law since 2019 and has had a favorable response from participating jurisdictions.

APPROPRIATIONS LANGUAGE

The 2023 President's Budget includes the appropriation language listed below.

For the HOME Investment Partnerships program, as authorized under title II of the Cranston-Gonzalez National Affordable Housing Act, as amended (42 U.S.C. 12721 et seq.), $1,950,000,000, to remain available until September 30, 2026: Provided, That of the amount made available under this heading, up to $100,000,000 shall be for awards to States and insular areas for assistance to homebuyers as authorized under section 212(a)(1) of such Act (42 U.S.C. 12742(a)(1)), in addition to amounts otherwise available for such purpose: Provided further, That amounts made available under the preceding proviso shall be allocated in the same manner as amounts under this heading, except that amounts that would have been reserved and allocated to units of general local government within the State pursuant to section 217 of such Act (42 U.S.C. 12747) shall be provided to the State: Provided further, That the Secretary may waive or specify alternative requirements for any provision of such Act in connection with the use of amounts made available under the previous two provisos (except for requirements related to fair housing, nondiscrimination, labor standards, and the environment) upon a finding that any such waivers or alternative requirements are necessary to expedite or facilitate the use of amounts awarded pursuant to the preceding provisos: Provided further, That notwithstanding section 231(b) of such Act (42 U.S.C. 12771(b)), all unobligated balances remaining from amounts recaptured pursuant to such section that remain available until expended shall be combined with amounts made available under this heading and allocated in accordance with the formula under section 217(b)(1)(A) of such Act (42 U.S.C. 12747(b)(1)(A)): Provided further, That section 218(g) of such Act (42 U.S.C. 12748(g)) shall not apply with respect to the right of a jurisdiction to draw funds from its HOME Investment Trust Fund that otherwise expired or would expire in 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, or 2025 under that section: Provided further, That section 231(b) of such Act (42 U.S.C. 12771(b)) shall not apply to any uninvested funds that otherwise were deducted or would be deducted from the line of credit in the participating jurisdiction's HOME Investment Trust Fund in 2018, 2019, 2020, 2021, 2022, 2023, 2024, or 2025 under that section.

Note.--A full-year 2022 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2022 (Division A of P.L. 117-43, as amended). The amounts included for 2022 reflect the annualized level provided by the continuing resolution.