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
2023 Appropriation	1,500,000	625,513	-	2,125,513	1,971,910	1,017,292
2024 Annualized CR	1,500,000	153,546	-	1,653,546	1,279,295	2,653,974
2025 President's Budget	1,250,000	374,251	-	1,624,251	1,312,538	2,694,181
Change from 2024	(250,000)	220,705	-	(29,295)	33,243	40,207

a/ The 2023 Net Outlays include $67.1 million in American Rescue Plan funds.

PROGRAM PURPOSE

HOME is one of the primary Federal tools States and local governments have for the production and preservation 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 the 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 2025 President's Budget requests $1.25 billion for the HOME Investment Partnerships Program, which is $250 million less than the 2024 Annualized CR level. The Budget includes up to $50 million for the FirstHOME Downpayment Assistance initiative to States and insular areas to better ensure sustainable homeownership.

This program aligns to HUD 2022-2026 Strategic Objective 2A: *Increase the Supply of Housing,* and 3A: *Advance Sustainable Homeownership*.

JUSTIFICATION

The HOME Investment Partnerships program provides critically needed funding for affordable housing. HUD's *Worst Case Housing Needs: 2023 Report to Congress,* which utilized data from the 2021 American Housing Survey, stated that 8.5 million renter households had worst-case housing needs, an increase of 760,000 cases compared to 7.8 million in 2019.[1] This is the highest count of renter households with worst case housing needs ever recorded. The number of households experiencing worst case needs has increased 70 percent since 2001. The report states, "The unmet need for decent, safe, and affordable rental housing continues to outpace income growth and the ability of Federal, State, and local governments to supply housing assistance and facilitate affordable housing production." The report also found that in 2021, "only 57 affordable units (including those with rental assistance) were available for every 100 very low-income renter households. Only

[1] https://www.huduser.gov/portal/publications/Worst-Case-Housing-Needs-2023.html

36 affordable units were available for every 100 extremely low-income renter households." Consistent with long term trends, the primary problem for worst case needs renters in 2021 was severe rent burden resulting from insufficient income relative to rent.

HOME meets a critical need in addressing these affordable housing issues by providing funds for construction or rehabilitation of housing for renters and homebuyers, owner-occupied rehabilitation, and tenant-based rental assistance.

In addition, 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. HUD is requesting broad appropriations language with waiver authority to maintain flexibility in program design, and 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 (PJs) 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 10 percent equity, even in high-cost markets.

HUD proposes this initiative because while homeownership is a proven method of building wealth, 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.

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.

HOME participating jurisdictions have the flexibility to choose the types and locations of housing that best serves their communities' needs, as well as the segment of their low-income population they will serve through these housing investments. HOME funds used for tenant-based rental assistance provide both housing affordability and mobility for low-income individuals and families because tenants choose their rental units, and the tenant retains the assistance when the tenant moves. In addition, grantees frequently leverage HOME funds to develop permanent supportive housing. HOME pairs well with both project-based and tenant-based vouchers, along with other Federal, State, and local programs, which enhances the overall effectiveness of housing initiatives. Notably, low-income HOME beneficiaries frequently require supportive services, a need fulfilled by the same nonprofit organizations that commonly lead the development and ownership of HOME projects. These organizations often specialize in serving special needs and/or homeless populations. HOME participating jurisdictions produced or preserved affordable housing with HOME funds over the history of the program in the following proportions:

- 41 percent of the units completed over time are homebuyer units – providing downpayment assistance and other resources for homeowners, including first-generation and first-time buyers, to purchase homes. Homeownership cultivates generational wealth and is an effective strategy in addressing the racial wealth gap.
- 40 percent of the units completed over time are rental units – providing affordable housing opportunities to vulnerable and low-income families throughout the country.
- 19 percent of the units completed over time are owner-occupied units that have been rehabilitated, enabling homeowners to remain in their homes.

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). HOME-assisted rental projects also provide specific tenant protections such as requiring a lease of no less than one year.

The HOME program has longstanding success in promoting homeownership, which creates generational wealth and advances equity. When HOME funds are spent to build and rehabilitate homes, local jobs are created or preserved, thereby providing opportunities for area residents to gain economic stability and build wealth in and spur economic growth within their local communities.

Funding Impact and Outcomes

An investment of HOME funds at the requested level of $1.25 billion will result in the following over time:

- 10,295 units of affordable housing for new homebuyers (including 2,000 under FirstHOME);
- 7,786 units of newly constructed and rehabilitated affordable rental units;
- 4,006 units of owner-occupied rehabilitation for low-income homeowners; and
- 6,204 low-income households assisted with HOME tenant-based rental assistance.

Funding at the requested level would require HOME participating jurisdictions to provide $312.5 million in matching contributions and, based on historical activity, would leverage a total of approximately $6 billion in public and private funds. In addition, HOME funding at the requested level would preserve/create approximately 22,338 jobs.

Performance Indicators and Other Evidence

Since the launch of the HOME Program in 1992, participating jurisdictions have completed 1,372,575 affordable units, of which 559,296 were for new homebuyers, 262,768 were for owner-occupied rehabilitated housing, and 550,511 were new and rehabilitated rental units. Over the past 31 years, the HOME program has helped ensure access to affordable housing by providing 403,788 low-income families with tenant-based rental assistance, of which 96 percent were very low-income (i.e., income at or below 50 percent of AMI).

HOME funds frequently provide the critical gap financing that makes 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 64,945 completed HOME-assisted rental units were part of LIHTC projects from 2017 to 2023.

Key Assumptions

HOME production estimates are based on cost-per-unit data for completed HOME projects over the past two years. The estimates reflect the significantly increased costs of development and building materials.

Stakeholders

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 stakeholders to help stabilize individuals, families, and their communities by providing decent, safe, sanitary, and affordable housing. When HOME funds are used in communities to build and rehabilitate homes, local jobs are both created and preserved. In turn, this creates stronger, more sustainable communities because the employment and economic opportunities generated from the HOME investment must be directed to area residents to the greatest extent feasible.

Operational Improvements

HUD continues to work on a proposed rule that will update, simplify, or streamline current regulatory requirements, better align the program with other Federal housing programs, and implement recent amendments to the HOME statute. Recognizing the limitations of reform through regulatory changes, HUD also recommends legislative action to modernize the HOME statute.

HOME Investment Partnerships Program Allocations by State for 2023 Enacted, 2024 Annualized CR, and the

2025 Budget

(Dollars in Thousands)

STATE or TERRITORY	Actual FY 2023	Annualized CR FY 2024	Estimate FY 2025
Alabama...	19,114	19,114	15,101
Alaska...	3,773	3,773	3,622
Arizona...	25,522	25,522	20,389
Arkansas...	13,064	13,064	10,337
California..	196,739	196,739	157,386
Colorado..	19,510	19,510	15,538
Connecticut.......................................	18,598	18,598	14,688
Delaware...	4,849	4,849	4,488
District of Columbia.........................	6,057	6,057	4,840
Florida..	77,273	77,273	61,692
Georgia...	42,626	42,626	33,765
Hawaii..	6,238	6,238	5,605
Idaho...	6,863	6,863	5,379
Illinois..	60,422	60,422	48,210
Indiana...	29,406	29,406	23,294
Iowa..	13,264	13,264	10,466
Kansas...	12,053	12,053	9,540
Kentucky...	21,040	21,040	16,585
Louisiana...	21,003	21,003	16,666

HOME Investment Partnerships Program Allocations by State, Continued

STATE or TERRITORY	Enacted FY 2023	Annualized CR FY 2024	Estimate FY 2025
Maine	6,077	6,077	4,789
Maryland	21,068	21,068	16,788
Massachusetts	38,463	38,463	30,695
Michigan	45,175	45,175	35,923
Minnesota	20,097	20,097	15,953
Mississippi	13,053	13,053	10,244
Missouri	27,072	27,072	21,474
Montana	4,525	4,525	3,865
Nebraska	8,253	8,253	6,537
Nevada	12,838	12,838	10,915
New Hampshire	5,509	5,509	4,335
New Jersey	40,480	40,480	32,457
New Mexico	8,850	8,850	6,985
New York	140,127	140,127	112,174
North Carolina	41,837	41,837	33,237
North Dakota	3,549	3,549	3,443
Ohio	61,434	61,434	48,889
Oklahoma	16,443	16,443	13,011
Oregon	20,256	20,256	16,182
Pennsylvania	63,927	63,927	51,061
Rhode Island	6,729	6,729	5,322
South Carolina	19,130	19,130	15,227
South Dakota	3,585	3,585	3,471
Tennessee	28,259	28,259	22,392
Texas	106,999	106,999	85,303
Utah	8,716	8,716	6,925
Vermont	3,446	3,446	3,333
Virginia	29,041	29,041	23,183
Washington	29,616	29,616	23,679
West Virginia	8,739	8,739	6,902
Wisconsin	26,719	26,719	21,216
Wyoming	3,500	3,500	3,500
Puerto Rico	26,078	26,078	20,598
Subtotal Formula Grants	1,497,000	1,497,000	1,197,600
Insular Areas	3,000	3,000	2,400
Downpayment Assistance	0	0	49,250
Downpayment Insular Areas	0	0	750
TOTALS	1,500,000	1,500,000	1,250,000

Note: The 2025 estimated allocation is based on the same PJs and weighing factors used in the 2023 allocation because at this time HUD does not have updated demographic and participation data for 2025 loaded into its systems.

SUMMARY OF RESOURCES BY PROGRAM

(Dollars in Thousands)

Budget Activity	2023 Budget Authority	2022 Carryover Into 2023	2023 Total Resources	2023 Obligations	2024 Annualized CR	2023 Carryover Into 2024	2024 Total Resources	2025 President's Budget
Formula Grants	1,497,000	600,606	2,097,606	1,954,523	1,497,000	143,026	1,640,026	1,246,850
Insular	3,000	-	3,000	3,000	3,000	-	3,000	3,150
Management Information Systems	-	3	3	-	-	3	3	-
Homeless Assistance and Supportive Services (ARP) Grants	-	9,717	9,717	-	-	9,717	9,717	-
Homeless Assistance and Supportive Services (ARP) TA	-	15,000	15,000	14,200	-	800	800	-
Technical Assistance	-	187	187	187	-	-	-	-
Total	**1,500,000**	**625,513**	**2,125,513**	**1,971,910**	**1,500,000**	**153,546**	**1,653,546**	**1,250,000**

a/ The 2022 Carryover into 2023 includes $9.7 million in American Rescue Plan recaptured grant funds and the 2023 Carryover into 2024 excludes $57 thousand of expired 2020/2023 grant funds.

b/ 2025 President's Budget column includes $50 million for FirstHOME Downpayment Assistance initiative, of which $49.25 million is included with the Formula Grants and $750 thousand is in Insular Areas.

LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS

Appropriations Language Changes

The 2025 President's Budget includes the following:

- FirstHOME Downpayment Initiative: Inserts a set-aside to States and insular areas to better ensure sustainable homeownership.
- Suspension of the 24-month commitment period for HOME funds: Extends the suspension for another year so that the funds remain with the jurisdiction and deletes earlier years that are no longer necessary to include. A suspension of this requirement has been included in the HOME appropriation law since 2017 and has had a favorable response from PJs.
- Suspension of a Community Housing Development Organization funds provision: 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 jurisdictions 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.
- Eliminate the Dual Allocation Threshold for HOME Participating Jurisdictions: Eliminates the $335,000 threshold for years in which the HOME appropriation is less than $1.5 billion, resulting in a stable threshold of $500,000 regardless of appropriations amount. [The legislative proposal to streamline the HOME statute would remove these statutory threshold provisions.]

Legislative Proposals

The 2025 Budget supports the following legislative proposals and will seek changes through the authorization process:

- Streamlining the HOME Statute: HOME was authorized by the Cranston-Gonzalez National Affordable Housing Act of 1990. Except for modest streamlining in 1994, the HOME authorizing statute has not been revisited in three decades, even as the need for affordable housing has grown and new financing tools and development approaches have been developed. Simplification and modernization of this important affordable housing development program is long overdue. Though proposed legislative text is not incorporated in the Budget, HUD recommends legislative reform to streamline and modernize the program. There is no direct effect on budgetary authority; though the key goal of reform is to make HOME funds easier to administer through more understandable language and streamlining of complex requirements, which could result in less potential misuse of funds.

- Permanently Eliminate the Statutory Dual Allocation Threshold for HOME PJs: This proposal would permanently eliminate the statutory language that applies a $335,000 threshold for years in which the HOME appropriation is less than $1.5 billion. This change would result in a stable threshold of $500,000 regardless of appropriations amount, and would eliminate the need to waive it via appropriations language.

General Provisions

The 2025 President's Budget re-proposes the following general provision:

Formula Grant Allocation Adjustments: This provision allows the Department to correct any past formula allocation errors as part of the next applicable formula allocation cycle. (Sec. 226)

APPROPRIATIONS LANGUAGE

The 2025 President's Budget includes the appropriations 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.), $1,250,000,000, to remain available until September 30, 2028: Provided, That the threshold reduction requirements in sections 216(10) and 217(b)(4) of such Act (42 U.S.C. 12746(10), 12747(b)(4)) shall not apply to the funds made available under this heading: Provided further, That of the amount made available under this heading, up to $50,000,000 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 purposes: 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 such waivers or alternative requirements are necessary to expedite or facilitate the use of amounts awarded pursuant to the preceding provisos: 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 any calendar year from 2019 through 2027 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 any calendar year from 2019 through 2027 under that section.

Note.--A full-year 2024 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, 2024 and Other Extensions Act (Division A of Public Law 118–15, as amended). The amounts included for 2024 reflect the annualized level provided by the continuing resolution.