TRANSCRIPT OF HOME PROGRAM WEBINAR
CHDO SET-ASIDE RESERVATION & EXPENDITURE DEADLINES
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Presented by:

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Donna: Good afternoon. My name is Donna, and I will be your conference operator. At this time, I would like to welcome everyone to the CHDO (Community Housing Development Organization) webinar conference call. All lines have been placed on listen-only mode. Later we will conduct the interactive question-and-answer session. If you would like to ask a question during that time, simply press * then the number 1 on your telephone keypad. You will hear a tone acknowledging your request and a prompt to record your name. If you would like to withdraw your question, press * then the number 2. I would now like to turn the call over the George Martin. Thank you Mr. Martin. You may begin your conference.

George: Thank you Donna. Good afternoon everyone. My name is George Martin. I work for TDA Consulting. We are on of HUD's national technical assistant providers. We are helping out HUD with today webinar. The topic for today's webinar is the CHDO set-aside reservation and expenditure deadlines. In just a few minutes, I'm going to turn the call over to some of my colleagues and to some of the HUD folks who will be leading you through the presentation and Q&A today. I'm here to provide technical support, so I'm going to start out with just a few technical instructions for today's webinar. I want to remind everyone to please clear away distractions, and turn off any phones that you're not using to be connected to this conference, close other programs on your computer, and give the presentation today your undivided attention. Technical problems, there are several hundred people on today's call and webinar, and so some of you may be experiencing some issues.

If you are, there are a few ways that you can get in touch with me and my team to help us take care of those. You can call a colleague of my named Vicki Grimm. She can be reached at 443-875-8477, or if you're able to connect to the webinar, but you're having some sort of other issue-- There's a little panel on the right side of your screen called chat. If you send a chat message to the host, the host is me, and I will do my best to help you resolve the issue. In addition the email that HUD sent out and course page on the HUD exchange for this event have contact information for both Vicki and myself, so feel free to get in touch with us via email or Vicki by phone if you need help.

As Donna said, everyone's going to be muted for the duration of today's call. You're going to be able to ask question, however. We want you to ask question today. There are going to be two ways that you can to do that, either over the phone or in writing. Just a reminder of what Donna had already told us. If you want to ask a question over the phone at any time you think of your question, you can press *, 1 on your telephone keypad. You'll get on the line with Donna. She'll get your name, and you'll be placed in a queue or line of people waiting to ask questions. If you decide that you don't want to ask your question anymore, or if it has been answered for you as part of the presentation, you can press *,2, to remove yourself from the queue.

Just to let everyone know. We will be doing questions in some predetermined areas. You can get into that queue or write a written question whenever you would like, but we're only going to be answering them at a few specific times throughout today's presentation. The other way you can ask questions is in writing. To do that, you'll see another little panel on the right-hand side of your screen called Q&A. If that panel is close, you can press the little triangle right next to the name Q&A to open it up. You'll something just very similar to what you see on the slide here. All you need to do to ask a question in writing is to type out the question in the field, and select all panelists where it asks to whom you'd like to ask the question. Then you can send it on, and we will answer it for you.

Now even when you submit questions in writing over the Q&A panel. We will still be answering those questions verbally, over the phone. If you want some sort of written response, you're not going to be able to get that today. We can talk about that later. Just as one final reminder when you joined the webinar, you should have seen a little window called file transfer that was opened up on your screen. There are three documents related to this webinar that you can feel free to download. That window is somewhere on your screen right now. You may have minimized it, but if you open that up, there's a copy of the slides and then some other documents that will be referenced throughout today's presentation.

Thanks for sitting through those technical instructions. I am now going to turn the presentation over to my colleague Dave Cramer.

Dave: Thank you, George, and thank you, Donna for the lead information and for being with us today to assist us on the presentation. Good afternoon and welcome to today's HOME program webinar on the CHDO set-aside reservation and expenditure deadlines. Today's webinar will cover topics recently addressed by the *HUD HOME Facts: Volume Six, Number One*, which was published about two weeks ago in the HUD Exchange. Let me introduce myself and my copresenters Steve Lathom and Peter Huber. I'm David Cramer, and I'm with TDA Consulting and have been working with HUD on the 2013 HOME rule since its inception. Steve could you please introduce yourself, and then Peter you can introduce yourself.

Steve: Well, good afternoon, and good morning depending on where you are in the country. We see a lot of familiar names on the call, so welcome. This is Steve Lathom from TDA Consulting. Many of you have probably seen me over the years in some of the trainings, but I spend a lot of my time working on the HOME program, and also working on CHDO issues, so I'm happy to be here with you today along with Peter Huber.

Peter: Hi, everyone. It's Peter Huber. I'm the Director of the Financial and Information Services Division in the Office of Affordable Housing programs, which is the office that administers the HOME program at HUD headquarters. Glad everyone could join us today. It's a beautiful day here in Washington. Hopefully it's nice where you are. With that let's get started.

Dave: Great! You're going to be hearing from both of them shortly. There are other HUD officials present. We may hear from them during the Q&A. The presentations you're about to hear are fairly intricate, so it will be important to limit distractions as I know the temptation to multitask during webinars like this is pretty great. We will also have several interactive features today for which your response will be very important to us as presenter to get a sense of the group that's listening today. As you know, you can ask George for help if you run into technical difficulties. We'll repeat the instructions when we have the Q&A, so if you miss the directions in the beginning, we'll remind you about how to ask the question either through the phone or through the Q&A message board. Now I'm going to turn this over to Steve to begin the presentation.

Steve: Okay. Thank you Dave, before we dive completely into the material, let's talk for just a minute about what we hope to cover today. The primary goal of course is to make sure that the PJs (participating jurisdictions) in attendance have a solid understanding of the reservation and expenditure deadlines that are applied to the CHDO set-aside. To understand that, we'll be talking about the revised definition of a CHDO reservation, which in the case of project funding is now the same thing as a project-specific commitment. We'll also walk through how IDIS (Integrated Disbursement and Information System) tracks compliance with these deadlines, so that, if you as a PJ have a shortfall in either your CHDO reservations or your CHDO expenditures, you can begin working now to ensure those funds are committed and disbursed in a timely fashion and not lost to your community through a deobligation. Finally while it's not the primary purpose of today's call, we will talk briefly about the shift to grant-based accounting that HUD is making beginning with 2015 HOME grants, which will lead to further changes to the CHDO deadlines in the future. As Dave mentioned in the introduction, the webinar is going to cover information from *HOME Facts: Volume Six, Number One*. If you haven't already reviewed that HOME FACTS, please don't go do it now, but after the webinar is over, not only can you have downloaded it from the webinar today, but you could go to the HUD Exchange and get it and use it as a resource moving forward. Let's get right into the material.

As everyone know if you've been working with the HOME program, the program is in the midst of several significant changes. Not only are we working to fully implement the changes from the 2013 HOME final rule and dealing with significant reductions in funding since the programs high-water mark in 2010, but the office of community planning and development at HUD or CPD, is in the midst of a very major accounting change for formula grant programs including HOME, as well as, CDBG (Community Development Block Grant), ESG (Emergency Solutions Grants) and HOPWA (Housing Opportunities for Persons with AIDS). For purposes of today's webinar, we're focus on the CHDO specific reservation and expenditure deadlines that became effective in 2013 under the new HOME rule and are being applied for the first time in calendar year 2015. When we talk about how these deadlines work and how IDIS tracks them, we're still working from today's context where the program works on a first-in, first-out or FIFO basis, and where compliance with these requirements is measured cumulatively.

Since the beginning of the program, PJs have received annual HOME allocations, which of course varied from year to year based on the appropriation. While you've identified different projects based on program year tied to your Consolidated and Annual Action planning process, IDIS has always functioned on a FIFO basis automatically committing and disbursing fund to each activity and to each draw by using the oldest money first by fund type and by recipient. In essence HOME has worked like a single bank account where each year you receive a new deposit, but otherwise, the outflows are always used in the oldest money in the account. This method of accounting will change for the 2015 and future grants years, and we want to acknowledge that up front mostly because we know that many of you are aware of that, but we're not going to be covering it in detail. Last May HUD issued a memo indicating that for the 2015 year, CPD grants including HOME will use grant-specific accounting.

To use the prior analogy instead of having one checking account that gets a new deposit each year, HOME will now work differently beginning this year and beyond. Instead of one account with annual deposits, it's more like each year's HOME allocation comes on its own prepaid debit card. As a PJ you'll need to reserve and expend funds specifically from a given program year's debit card, and the current system of cumulative measurement, about which will talk more in a little bit, will be gone. This is a big change, and we know there are likely a lot of questions; however, the post FIFO world of grant-specific accounting is not today's primary topic. We need to acknowledge it because we know that you need to start thinking and adjusting to in the future, but for the purposes of today's conversation, we want to focus on the current rules and operation of the program. FIFO and cumulative measurement continue to apply to all of your HOME allocations up through and including the 2014 grants that were issued last year. The new CHDO set-aside deadline about which we're talking from the 2013HOME Final Rule do apply now and will form the basis for the rest of this session.

Before we go, though, we do have a brief poll or maybe it's more of a quiz about some of the topics that we'll be covering. It will help those of us presenting get a better sense of everyone's existing familiarity with some of the material and maybe is a little bit more interesting [and interactive] for you than just listening to me launch right into the rest of it. With that, I'm going to turn it back over to Dave for a minute while we do the poll.

Dave: Okay. George is going to bring up the poll. You should see it in the lower, right-hand corner. Thank you, George. I think the procedure is that think about the question and then mark either true or false, and then move onto the next question. I think you have to press enter as well. Is that right, George.

George: I think there's a submit button you have to click.

Dave: Okay. At the end I think.

Steve: In the very bottom.

George: They seem to be able to-- They're getting it because there are a lot of folks who are in progress, and some people have already finished.

Dave: Okay. Alright. Good. Okay. Alright. Tell us when we're pretty much near the…

Steve: For the polls, we have to give a time period, so you see that we've had it open for about 45 seconds. We'll close it here in a minute. Briefly maybe, Dave, you want to run through what the questions are for those who maybe are listening without seeing the WebEx?

Dave: Okay. You want me to do that, now? Okay. For those who cannot see or who are just in voice mode. The first question is: "At least 15 percent of each year's HOME allocation must be for projects owned, developed, or sponsored by certified CHDOs."

Steve: Don't give the answers.

Dave: Give whether it's true or false. These are also true or false. "CHDOs can also be sub recipients and can use the CHDO set-aside to administer such programs as home-owner rehab or down-payment assistance." Is that true or false? "CHDO reservations made prior to the 2013 HOME, final rule still count toward a PJs 24-month, reservation deadline." Is that true or false? And then, "The 2013 new HOME rules now defines a reservation as having to meet the 92.2 definition of a project specific commitment." We're going to give the answers to that in a few seconds. How do we look, George? Are we pretty much got a significant number of responses?

Steve: Yeah. I think that we'll ask George to go ahead and publish the results of the poll, and we'll look at those briefly.

George: Yep. It's just the computer is just wrapping. In a few seconds we should be able to push the results for everyone to look at.

Dave: Great! Okay. Alright. Excellent! Okay. We can see the results. The first question should have been an easy one. That was to get you started. As you can see most people got it as true, which it is. The second question was a little tricky. It's our trick question. I can see by the response that half did true and half did false. Well, the answer if false. Let me repeat the question again for those who are listening. "CHDOs can also be subrecipients and can use the CHDO set-aside to administer such programs as home-owner rehab and down-payment assistance. It's false, not because CHDOs can be subrecipients, they can, but as subrecipients, they cannot use the CHDO set-aside. CHDO set-aside funds can only be used by certified CHDOs. That's why it is false. Okay. That should get you thinking.

The third question: "CHDO reservations made prior to the 2013 HOME rule still count towards a PJ's 24-month, reservation deadline. That's false, and that's because reservations made before the 2013, if they're still outstanding as a reservation, have to be turned into a commitment before they are counted. We're going to be talking about reservations and commitment a bit. Then finally the fourth question: "The 2013 HOME rule now defines a reservation as having to meet 92.2 definition of project-specific commitment. That of course is true. It's a good thing that most people got that correct. I think that we're all on a good start. We'll turn it back and get started with the meat of the presentation.

Steve: Thank you, Dave. Let's start by reminding everybody what the CHDO set-aside is. The Cranston-Gonzalez national affordable housing act, which created the HOME program, provided that not less than 15 percent of the HOME allocation made available to each PJ be used exclusively for housing that is developed, sponsored, or owned by CHDOs. If a PJ does not or cannot identify eligible CHDOs with eligible project, this portion cannot be used for other activities. HUD will deobligate any portion of your set-aside that is not used for CHDOs, and that funding will be lost to your community. The set-aside of course is a minimum requirement. PJs always have the option to do more than 15 percent. Many of you have done so over the years. To echo back to one of the questions that we just covered, it's important to remember that any given nonprofit may sometimes play multiple roles in the program including wearing a CHDO hat, about which we sometimes like to talk, when they're acting as a developer, owner, or sponsor of housing. In other cases that same organization may act as a subrecipient running a home-owner, rehab program on behalf of the PJ, for example.

Since we're talking just about the CHDO set-aside, those activities where an organization that happens to be a CHDO sometimes is acting as a nonprofit subrecipient really don't exist for purposes of today's conversation. That organization can be a subrecipient, but it does not come from the set aside. Now HOME has always had commitment and expenditure deadlines. PJs have 24 months from the time they receive their allocation from HUD to fully commit their funding, and they have five years to expend that funding. As we'll see in a few minutes, those commitment and expenditure deadlines have been measured cumulatively, and the CHDO set-aside has always contributed to a PJs overall program performance. In general these issues aren't really that new. However as we know in 2013, HUD issued a comprehensive series of changes to the HOME final rule, which you'll often refer to us talking about is the 2013 rule, or just the new rule.

There were to critical changes in the 2013 rule that drive today's webinar. First the rule defined CHDO reservations to require that any project reservation meet the same standard as a project specific commitment as defined in section 92.2. We'll talk more about that in a minute, but effectively the CHDO reservation deadline is really a CHDO-commitment deadline. Second the 2013 rule applies to five year expenditure deadline, specifically to the CHDO set-aside in addition to the PJs allocation as a whole. We'll dive into both of these topic in greater detail during today's session. Let's start with what counts as a CHDO reservation.

The 2013 rule now defines a reservation for project funding as committing funds to a specific local project. For the purposes of the 24-month, CHDO reservation requirement. CHDO set-aside funds are not considered reserved unless they have been committed to a specific project pursuant to a written agreement. The major change here is that, prior to the 2013 rule, PJs had the ability to enter into a generic reservation with a CHDO designating for example that we'll provide you with half a million dollars in HOME funds to do five new homes on vacant lots in the north-side, target area. The CHDO would then go off, identify the specific properties, and as those projects were ready to go, the PJ would commit CHDO funds to the specific funds and set it up in IDIS.

As of October 22, 2013, the rule eliminated a PJ's ability to make those sorts of generic reservations, but HUD recognized that there were going to be a lot of those generic reservations made prior to that date that had not yet lead to project-specific commitments. In essence PJs were given a transition period. HUD did not begin to determine compliance with the revised reservation deadline and the expenditure reservations for

CHDOs until January 1st of this year, 2015. As of the first of the year, if you had any of those old, generic reservation in these system that had not resulted in actual project commitments, those are no longer included in the calculation of how much CHDO funding you have reserved and no longer counted towards either your program-wide, 24-month-commitment deadline or the CHDO-specific, reservation deadline.

Now I need to point out that most of our discussion today will talk about project-specific commitments and about project-specific reservations, but there are two other types of commitments that count toward the CHDO set-aside. First PJs have always had and still have the ability under section 92.301 to provide predevelopment loans to CHDOs. We're not going to get into all of the details in today's session, but there are two types of predevelopment loans, site control, and seed-money loans. PJs can used up to 10 percent of the funds that they set-aside to CHDOs for predevelopment loans usually to help a CHDO determine if a project is feasible, or to finalize key, due-diligence items like building plans in order to actually get to the point of an actual project-specific commitment. If a project proves infeasible or falls through for reasons beyond the control of the CHDO the PJ can forgive that loan. Also HOME allows a PJ only during your first two years as a PJ to use up to 20 percent of its CHDO set-aside, not to exceed $150,000 for various CHDO building activities.

We're not really going to talk too much about this today other than noting that a commitment of capacity-building funding also counts towards the 24-month, CHDO reservation requirement. This is primarily an historical issue since most of you on the line have been in the program for much more than two years. There's really only a handful of folks anywhere in the country who might be able to make use of these funds today for this purpose. When we talk about cumulative measurement in a few minutes any of the funds your jurisdiction committed or dispersed for capacity building early in your life as a PJ are counted in these totals.

Finally I need to note that the capacity-building funding about which we're talking is not the same thing as CHDO operating. CHDO operating support can be provided under section 92.208. CHDO-operating funds do not come from the set-aside, and therefore, the do not count toward the reservation and expenditure requirements. In one sense the elimination of the generic CHDO reservations is straight forward enough. As of January 1st of this year, HUD only recognizes project-specific commitments towards the 24-month reservation deadline, but like most things in life, we know that it's a little bit more complicated than that. In particular other changes to the 2013 rule related to the various requirements a PJ must meet in order to commit funds to a project.

These include changes in the definition of commitment as section 92.2…and updated project underwriting standards in section 92.250 both of which apply to all HOME projects, not just those in the CHDO set-aside. Additionally section 92.300 requires that a PJ certify and organization as CHDO each time that it commits funds to that organization. We know that each of these topics themselves could easily take up a full webinar and probably more. There will be questions about these that we probably don't have time to get into today. I do want to note that HUD's working a CPD notice about the requirements for commitment that will provide much more detail on these changes, but for today, we're going to cover just some high-level issues and try to answer a few questions if time permits.

When you put all of these pieced together, however, prior to committing funds to a project a PJ has to have an identifiable project; that is, we need to know the actual address or the legal description of the property if no address has been assigned. The PJ needs to ensure that all project financing, not just HOME funding, has been firmly committed to the project in writing. There has to be a project budget including sources and uses, and the PJ needs to have reviewed that budget to ensure that all of the project costs are reasonable. You also have to have completed your underwriting and subsidy layering reviews, making sure that the project is both financially feasible and not over subsidized. As the PJ you need to have evaluated the market for the project and determined that, if we build it, they will in fact come, whether we're talking about units for sale or for rent. PJs also need to evaluate the capacity of the developer including their financial capacity to undertake the project. While this is true of all projects, in the case of CHDOs you're also going to have to certify that the organization is a CHDO and its capacity is appropriate to the role it is playing in the project, that is, whether the CHDO will be an owner, a developer, or a sponsor as those terms are defined in section 92.300.

A project schedule needs to have been developed, and at a minimum the PJ must determine that the project can actually start construction in 12 months. Last but certainly not least, we can't forget about environmental review. Outside of the very limited cases of conditional commitments, which are outlined in CPD notice 01-11, you can't commit funds to a project without completing the NEPA (National Environmental Policy Act) process. Finally after all of these requirements have been met, the PJ must execute a legally-binding, HOME, written agreement committing funds to the project, which must include the date and signatures of all parties. When you put all of this together, the way I like to describe it is that, under the 2013 rule in order to commit funds, we actually have to commit funds to a real project. We can't commit funds to an idea or to just a plan that might never come to fruition. The older-generic, CHDO reservations did give us some flexibility, but at this point in the maturation of the program, CHDOs must meet the same requirements for commitment as everybody else.

For those PJs, most of you on the phone are PJs, here's a brief reminder of what this actually looks like in the certification that shows up in IDIS. When you set up a project, you're electronically raising your right hand and swearing to the federal government that the written agreement has been properly executed, the project meets all of the requirements and the definition of commitment, you've completed your underwriting, developer assessment and a market evaluation, and then for CHDOS the organization is in fact a CHDO and it's capacity is appropriate to its role as an owner, developer, or sponsor. Even in the certification you see how these various regulatory requirements all come together at the same point.

Let's talk a little bit more about IDIS. Fortunately for me we have Peter with us. For those who don't know Peter's unit is the one responsible for making IDIS work perfectly for the HOME program. He knows more about what's going on under the hood than anybody else, and so I'm happy we've got him particularly when we get to the Q&A.

Here's the thing. In terms of how you enter projects into the system, IDIS has not changed. There are really three steps from an overall, mechanical standpoint. First each year when you get your grant, your allocations gets split into various sub-funds. Initially administration, entitlement, and CHDO reserve. Each year the system will automatically place 15 percent of your allocation into the CHDO reserve or the CR subfund. If you're doing predevelopment loans, or again if you're a new PJ in the first two years CHDO capacity building, you can move some of that CHDO reserve to those other subfunds. The next step is to subgrant the funds. When you identify a CHDO to which you're committing funds, you first have to subgrant the money to that organization. You're telling IDIS, for example, that we're giving $100,000 to, let's say, our local Habitat chapter that we've identified as a CHDO.

Prior to 2013 the subgrant was basically the generic reservation, but like we said a generic reservation is no longer valid. To count toward the 24-month deadline, a reservation must qualify as a project-specific commitment. While there's nothing stopping us from subgranting the funds at IDIS before identifying the specific projects doing so has no actual effect. Activity funding is where we identify the specific project we're funding. We're now assigning the subfunded money, not just to Habitat, but we're actually setting up the project up at 505 Oak Street for $100,000. The key thing to understand is that it takes both of these steps, subgranting and then and then activity funding to get a project entirely into the system, but it's only when we've entered into a written agreement for a specific project that we can complete the activity-funding step in IDIS. That's when it gets counted toward the reservation requirement.

With that, I'm going to take a brief break, and turn things back over to Dave for a few minutes to see if we have any questions about the material we've covered so far.

Dave: Thank you, Steve. We want to take this short break and note the ways to ask the questions either through the Q&A toolbox that you click on the right, or you can push 1 on your phone, and the operator will consider your questions. We have a couple of questions that have come in already. Let's take the first one. "Are CHDO operating fund subject to the 24-month deadline, and the five year expenditure deadline?" Peter I think that's a question for you.

Peter: Alright. That's a good question, Dave. The answer to that one is kind of yes and no. CHDO operating assistance doesn't come from the CHDO set-aside, so any commitment of CHDO operating funds would not count towards the CHDO reservation requirement, and then expending CHDO operating funds wouldn't count towards the CHDO expenditure requirement; however, committing CHDO operating funds does count toward your regular, HOME program, commitment requirement. Then expending CHDO operating assistance would also count toward your HOME program, expenditure requirement.

Dave: Okay. Well, thanks. I think I see another one come up. If a committed project falls through and the funds are recommitted to another project, does the five year expenditure clock start all over?

Steve: Dave, I'll take that one. No. The five year expenditure requirement is not affected by a given project that falls through and is canceled. When we're talking about the 24-month, CHDO reservation requirement or the five-year CHDO expenditure requirement, these apply to your program's overall performance, in this case the performance within the CHDO set-aside. These are not project-specific deadlines. I would note though that another feature of the 2013 rule is a new project completion deadline where any given project must meet the definition of completion within four years of the date of the written agreement, but that's actually a separate issue. I also think that it's important to point out that if a PJ has properly applied all of the requirements for commitment that we covered just a minute ago, all project financing is in place, the project has been underwritten etcetera, then having projects fall through after a commitment should actually be a pretty rare thing. But in direct answer to the question, if a project falls through after commitment, the overall reservation and expenditure deadline clock do not get reset since those are program deadlines and not project-specific deadlines.

Dave: Okay thanks, Steve. I think we have another one that came in with which Peter could probably help us. "If I commit, I being the PJ that is participating jurisdiction, more than the 15 percent set-aside to a CHDO project, are those extra funds subject to being separated from regular funds or do they have to be included with the regular CHDO set-aside?" Does that make sense?

Peter: Yeah. Okay, Dave. Let me make sure that I understand the question. A PJ is committing funds to a CHDO project, and the project is going to require an award of funds that's more than 15 percent of the PJ of allocation.

Dave: Yeah. I think you got that right. That seems to be the situation.

Peter: Okay. Alright. Remember that 15 percent is the minimum requirement. PJs can always reserve more of the CHDOs and, as Steve mentioned earlier, many do. In this situation the PJ could increase its CR subfund in IDIS, moving more of its allocation into the CHDO reserve, subgrant those funds to a CHDO, and then fund the activity from that subgrant for its full amount. Yeah. There's no advantage to partially funding the project from the CHDO reserve and then funding the rest from EN, and in fact because of the cumulative method, there's really a disadvantage to doing that if you're really using it for a CHDO project.

Dave: Okay. Great. Thank you, Peter. I want to check in with Donna to see if any have come in by the phone. Donna, do we have any questions that have been called in.

Donna: There are no questions at this time.

Dave: Okay. Let's see if we have any more that have come in through the Q&A. Okay. Let's go with that one. No? Yeah. Let's try it. "Can generic reservations be used to commit funds for non-CHDO set-aside funds? Well that should be an easy one. Steve, we'll throw that to you.

Steve: Yeah. No. The answer is no. CHDOs in the past actually sort of had a lesser standard. CHDOs are being held to the same standard as everyone else. In order to commit funds to a project, all of those requirements that we covered a couple of slides back have to be true. That's true whether we're talking about the CHDO set-aside, or whether we're talking about committing funds to a non-CHDO developer, for example.

Dave: Okay. Alright. I see one that's more of a CHDO-certification question. It's, "If a CHDO reservation is from funds allocated to the PJ prior to 2015, will the CHDO still need to be certified each times funds are committed. That's pretty straight forward CHDOs certification. Peter, you want to answer that?

Peter: Yeah. The answer is, yes. There's not a whole lot more to say than that.

Dave: Right. Okay. Well, we don't need to go into detail on that one. Alright.

George: Yeah. That next one.

Dave: Okay. "How can you count," that one?

George: No. The one before that. It's moving.

Steve: The questions are coming in faster than the…

Dave: Alright. What happens if a PJ can't commit 15 percent to a CHDO within the 24 months? Are funds lost? That's the point.

Steve: Yeah. That's exactly the point. If you don't commit the funds to CHDOs within the deadline, HUD will deobligate that. As we go into the next session, the next portion of the webinar, we'll actually see how that calculation is done, and how you can see how much may be at risk in your PJ.

Dave: Okay. We're going to answer this next question in the next thing. "How can you count for 15-percent, set-aside CHDO if a subgrant fell through and it was given to another subfund, but set up in another year? How can you count for the 15-percent set-aside for that year?

Steve: Yeah. The question is a little bit confusing, but I think we'll go into it in the next little piece, but the short answer is that, since we're looking at the requirement cumulatively, it's possible to over reserve in one year and under-reserve in another year, and still meet your requirement. I mean. If I understand the question correctly, that's what you're asking.

Dave: Okay. Alright. Yeah. Good. I think. Donna, is there any others that have come through by the phone?

Donna: No, sir. There are not questions at this time.

Dave: Okay. Reminder to everyone. We will break for another Q&A towards the end, but if you want to ask questions by the phone, all you need to do is to press 1 and that will get you Donna, and she will put you in the queue for asking questions verbally. Feel free to do that. Let's move on. Steve, you want to pick up and continue the presentation.

Steve: Sure. Thank you, Dave. So far we've primarily talked about the definition of a reservation, with the big change being that generic reservations for CHDO were eliminated by the 2013 rule. In order to reserve funds for CHDOs, PJs have to make project-specific commitments. In short when it comes to committing funds, CHDOs are now held to the same standards as all other development projects in the HOME program. As we mentioned earlier, HOME has always applied commitment and expenditure deadlines to each PJ's overall allocation. As we've touched on just a bit already, compliance with these deadlines. Your overall performance as PJ has been measured on a cumulative basis treating each year's HOME allocation as an annual deposit to one big HOME, checking account. What new in the 2013 rules are these same basic deadlines, 24 months to commit or reserve funds and five years to expend then, are being equally applied the CHDO set-aside. The reservation deadline functions in the same manner as the preexisting, program-wide, commitment deadline did because there are no more generic reservations being credited. The five year expenditure deadline is being applied specifically the CHDO set-aside.

You might want to think about the HOME program like a multilane, interstate highway. The CHDO set-aside is its own lane and the other lanes represent the balance of a PJ's allocation. In the past, the program has required timely commitment and expenditure of funds, the traffic count as it were, but we've measured performance based on the total traffic count for the highway as a whole. The problem is that, when HUD took a closer look or let's say that we conducted a traffic study, we discovered the CHDO lane wasn't really moving at the same rate as the overall program, and we were getting backups in that lane. Mostly that was from generic reservations that didn't turn into real, project commitments, but sometimes it was that CHDO projects progressed more slowly on an expenditure basis as well. Over time the slower movement and backups in the CHDO lane, which was a problem in and of itself, started to affect the traffic flow for the highway as a whole. In updating the program with the 2013 rule, HUD now measures how fast traffic is moving, both for the CHDO lane itself, and as it always has for the highway as a whole.

Let's talk more about the deadlines themselves and the details of how HUD calculates your traffic speed as it were. First up is the CHDO reservation deadline. As a PJ you must reserve, that is, commit at least 15 percent of your allocation within 24 months of HUD obligating your annual grant. To keep things simple, you're deadline is always the last day of the month, 24 months following HUD's obligation of the grant. If I'm a PJ and HUD signed my 2013 grant agreement on let's say, September 13th of 2013. The 24-month clock ends and my deadline to reserve all of my CHDO funding is September 31st of 2015. At this point because we're talking about the 2013 allocations that have deadlines in 2015 or reservation deadlines in 2015, we're still working from a standpoint of FIFO and cumulative measurement. Peter will walk us through some of the specific examples in a minute, but your reservation requirement is calculated first by totaling all of your PJ's annual allocations from when you became a PJ through the fiscal year being tested. In our case today, that's all of your allocations up through and including your 2013 HOME allocations.

From that the American Dream Down-payment Initiative, or ADDI, any portion of ADDI funds that you previously received are removed. As a lot of folks on the line remember, ADDI was an add-on the HOME program that ran from 2003 through 2008, and was specifically to provide down-payment assistant for first time buyers. Since those funds were exclusively for DPA and could not be used for other purposes, they did not affect the calculation of the minimum CHDO set-aside. There was not requirement to commit 15 percent of ADDI funding the CHDOs. In fact you could not have since down-payment assistance, alone is not a CHDO-eligible activity. Then we multiply your total allocations to date, excluding ADDI, by 15 percent. This is the cumulative amount of CHDO, set-aside funding for which you're responsible as a PJ. Finally to determine what your current requirement is, HUD adjusts that minimum set-aside by the amount of any prior deobligations. Those might be because you previously missed a reservation deadline or failed to expend a prior year's CHDO funding within the time period allotted to HOME funds under the national defense authorization act. Together that's how we determine what your CHDO reservation requirement it. Then we compare that to the cumulative total of all of project-specific, CHDO commitments; predevelopment loan commitments and CHDO capacity building commitments that you have made since the beginning of time or at least since you became a PJ.

That's the high level especially for those of you who are more visual. Next, I'm going to turn things over to Peter, and ask him to walk everyone through the HOME Deadline Compliance Status Report.

Peter: Thanks, Steve. We are getting questions like crazy, and I think breaking from our protocol here, do we want to take a couple of questions right now, before.

Dave: Sure. Let's do that.

Peter: I think that might be good because we're getting a lot of questions.

Dave: Okay Do we see any? With which one do you want to start? Just highlight it. Okay. Alright. "If we have a pre-2013, generic-CHDO reservation that falls out and will not go on, can we take those CHDO funds and subgrant it to another CHDO. If so, how will that affect the 24-month commitment that has already passed? If we have already met the 15 percent for that fiscal year, and those funds go back to entitlement funds?"

Peter: Okay. I really see that as two different questions. The first answer is, yes, you can certainly take subgranted funds and funds that were subgranted to a CHDO, and then reduce the authorized amount of that subgrant and subgrant those funds to another CHDO. That would be for any grants that are 2014 and earlier including 2014. That really shouldn't affect your CHDO reservation requirement unless you happen to do it right before your deadline and you don't subgrant those funds to another CHDO and commit them to a specific activity. We're looking at project-specific commitment of CHDO funds again.

The second question is, if the 24-month-commitment deadline has already passed and you do that, you say uncommit CHDO funds from an activity that hasn't moved forward and then reduce the subgrant and subgrant them to another CHDO, we won't look at your total CHDO reservations until your next deadline, so you could do that as long as you meet your next deadline requirement at the time of your next deadline. It's possible to go I guess below the requirement temporarily, and then go back up above the requirement before your next deadline. Hopefully that answers that question.

Dave: Thank you, Peter. What's the next one? Got it. Got the rest.

Peter: There was a question about program income that we're having trouble finding, but I think the question was that if you expend program income on a CHDO project, how will that affect your compliance with the requirement, and what will happen is in order to expend program income on a CHDO project, you would have to reduce the CR commitment, the CHDO commitment to the activity to draw down the PI. What that would do is reduce your CHDO reservation, so it's possible that expending program income on a CHDO activity would take you below your requirement amount. You want to be very careful about doing something like that. Now understanding the requirement that program income has to be expended first. You still want to be very careful about expending program income before your CHDO reservation or your commitment deadline in fact.

Dave: Okay. Thank you. Are there any others. Some of these we're answering directly, but we're getting some out. Okay. "If PJ's CHDO are certified and recertified annually, does an additional certification need to occur if one of the CHDOs is awarded funds for a project?" That is a little confusing.

Steve: I think I can handle that, Dave. Each time, each and every time that a PJ commits funds, enters into a written agreement with a CHDO for a specific project, the PJ is responsible for certifying the HUD that the organization meets the definition of a CHDO, and has the capacity to undertake the project in its role as an owner, as a sponsor or as a developer. There will be a lot of additional training on this topic. There's also going to be a CHDO notice coming out and those sorts of things, so we can't get into all of the detail there, but each time you, as a PJ, commit funds and set up a specific project from the CHDO set-aside, you are expected to sort of swear to HUD that that organization is a CHDO, and that you've reviewed what you need to under your local policies and procedures to make sure that you're comfortable with the accuracy of that certification.

Dave: Okay. Thank you, Steve. I think that we've pretty much dealt with some of the backlog. Keep the questions coming, but do pay attention to what Peter is about to say because this gets pretty intricate. Peter.

Peter: Alright. Thanks, Dave. We're going to spend a little time talking about the HOME Deadline Compliance Status Report and about how these CHDO requirements about which Steve has been talking for the past half of an hour or so are reflected on the report. The HOME Deadline Compliance Status Report is the tool used by HUD and HOME PJs to track compliance with the HOME commitment and expenditure requirement and the CHDO reservation and expenditure requirement. The report is updated and posted monthly to the HOME section of the HUD Exchange, and can be found among the HOME reports in the navigation column on the right-hand side of the page. For those of you who are unfamiliar with the HOME, HUD-Exchange page, the URL is hudexchange.info/home. I want to mention just the fact that for those of you who are familiar with this report, this report had some pretty significant changes this year for the 2015 version of the report, so that's what I'm pretty much going to be talking about for the next few minutes.

We're going to spend the next few minutes talking about the report, walking through the changes as it relates to both the CHDO reservation and expenditure requirement. Looking at the sample report, the top row marked with a C on the report is the HOME 24-month commitment requirement. The bottom row marked with a D, as in David, is the HOME five year expenditure requirement. We're going to focus on the middle two rows that are marked CHDO-C and CHDO-D on the report. The CHDO reservation requirement and a PJ's progress in meeting the requirement is summarized on the row marked CHDO-C. Again, while we refer to the CHDO reservation deadline, and CHDO reservation requirement, remember that this report is counting only activity-funding commitments reported in IDIS for the total-reservation calculation about were going to talk here in a second.

The next column on the report shows the PJ's actual deadline for the year being tested. In this case, we pulled the numbers from the Deadline Compliance Status Report as of March 31st, which is the one that's currently posted on HUD Exchange. For those of you who are interested, the April 30th report should be posted shortly. In this specific example, we are dealing with grants that HOME PJs receive through 2013, which is two years back from 2015. As you can tell by the deadline date of September 30, 2015. Our sample PJ here would have received notice from HUD that its annual HOME grant and its 2013 grant had been obligated some time during September of 2013, so the 24-month clock for the deadline requirement runs out on December 30th of this year.

The next column, the original allocation, show the PJ's cumulative, HOME allocations from the start of the HOME programs. For most PJs or for many PJs this will be 1992 through the year being examined. Again in this case, we're talking about all of the allocations up through and including the PJs 2013 allocation. Through

2013 this PJ has received a bit more than $24-million in total allocations. Again, this total excludes any ADDI funding received by the PJ during the years when ADDI was added to the HOME allocation. That is why the original allocation in the CHDO-C row, is slightly lower than the original allocation in the C row. The C row includes ADDI. ADDI funds were required to be committed within 24 months, but there was no CHDO reservation requirement with ADDI.

The next column shows any adjustments to the CHDO requirement due to previous CHDO deobligations or expired CHDO funds. In this case you'll see that the PJ has had just over $73,000 deobligated from his CHDO set-aside in the past. Again this is a cumulative number. This report doesn't distinguish how many adjustments there were or the reasons for those adjustments. Any questions that PJs may have about this number can be directed to your CPD representative in your field office. For those HUD folks on the phone, if you have any questions about this number, feel free to contact me.

Next the requirement amount is determined by taking the original allocation, multiplying by 15 percent, and then subtracting out any adjustment. The result in the next column is the actual CHDO reservation requirement for this PJ. By September 30th of this year, this PJ is required to have cumulative CHDO reservations totally $3,563,165.

George: Got ahead of you.

Peter: Okay. As we see in the next column, which shows the total CHDO reservation as of the date of the report, so in this case we're talking about the March 31st report. This PJ only has about $3.5-million in CHDO reservation. Again, we're talking about actual CHDO project commitments plus any commitments of CHDO predevelopment loans or CHDO capacity-building commitments that were entered into IDIS as of the date of the report. As we're still working from a cumulative-measurement standpoint, this figure include all CHDO reservations since the PJ entered the program, including the 2014 grant, which is not even yet subject to the 24-months requirement.

The next column expresses the total-CHDO reservations as percent of the original allocation, so that $3.5-million and change divided by the original allocation amount of just over $24-million works out in this instance to 14.46 percent. You'll notice the little footnote there next to that percentage. It looks like a hashtag. The footnote points out that, in some instances, an overall reservation rate of less than 15 percent may still put the PJ in compliance with the cumulative, CHDO reservation requirement. This is due to the adjustments actually lowering the requirement.

Then finally the shortfall column shows how much more needs to be reserved prior to the deadline in order to avoid a deobligation. The shortfall is the difference between the CHDO reservation requirement and the total, CHDO reservations. If the total, CHDO reservations amount is great than the requirement amount, you'll see a zero in this column. That means that the requirement has been met. In this case you'll see that there's a $54,954 shortfall as of March 31st, the date of this report, and that means that if this specific PJ is unable to properly commit those funds to CHDO projects by a deadline of September 30th, then they end up losing that portion of its CHDO set-aside through a deobligation of CHDO funds.

Okay. Let's talk for a minute about how we track this at HUD. IDIS is our primary means of tracking what's going on in the HOME program. Often we tend to talk about the commitment of funds and the initial funding date in IDIS as if they were the same thing, but they really aren't. We use the initial funding date in IDIS as a proxy for the date of commitment; however, the date of commitment is really the date of project-specific written agreement is executed. That's signed and dated by all parties. That date is not capture in IDIS. But a commitment may not be entered into IDIS prior to that date. When the HOME Deadline Compliance Status Report at which we were just looking shows a shortfall in the PJs showed a reservation as of the deadline date, before funds get deobligated, you'll be contacted by our field office. The field office will ask us whether you had a project-specific commitment to CHDO projects that were executed prior to your deadline but that were not entered into IDIS at the time of your deadline. We realize that most PJs are not able to really enter into commitments on the exact day the written agreements are signed. We understand that there's a delay there usually.

If you haven't showed a reservation shortfall on the deadline, status report and a PJ can show that it was just due to a delay in entering commitments in IDIS by submitting copies of the actual fully-executed written agreements, again, dated prior to your deadline to your field office for review-- The field office will review those written agreements. They'll determine whether those agreements are acceptable project-specific commitments to CHDO projects. If that's the case, and if the amount of those agreements exceeds your shortfall amount, then your funds won't be deobligated. Often a field office will request additional documentation such as an underwriting analysis or maybe even an environmental review file for the project as well. If while following that final HUD review, if there is still a shortfall, HUD will deobligate any remaining shortfall, and unfortunately, those funds will be lost to your community.

Okay. That's the CHDO reservation requirement. As Steve, point out earlier, there were really two things that are new. First that's a reservation of funds for a CHDO now has the same regulatory requirement as a commitment to a specific requirement, and secondly as he put it, the CHDO lane is now subject to the 24-month deadline on its own rather than just being part of the HOME freeway, and its overall, 24-month, commitment deadline. The other thing that’s new and another part of why we're talking to you today is that the CHDO set-aside, that CHDO lane in the freeway, now is individually subject to a five year expenditure deadline as well. The expenditure deadline is pretty much just what it sounds like. A PJ is required to expend its minimum 15 percent CHDO set-aside within five years of receiving notice that HUD has obligated its HOME grant. The clock works very much in the same way as the CHDO reservation requirement. For example, if HUD notified a PJ that its 2010 HOME grant had been signed on July 13th of 2010, the expenditure deadline for the PJ's cumulative CHDO funding through its 2010 grant, is going to be July 31st of 2015.

The way the CHDO expenditure requirement is measured, and of course the Deadline Compliance Status Report's logic are fundamentally the same. The expenditure report is calculated to be 15 percent of a PJ’s cumulative HOME allocations up through and including the year being test. Of course, we take out the ADDI funds and any adjustments from prior CHDO deobligations or expired CHDO funds. We'll compare that to the PJs cumulative expenditures on CHDO projects, CHDO predevelopment loans, and capacity building. There are a couple of difference to point out. First when we get into the report, it's important to remember that the CHDO reservation and expenditure requirements are calculated based on the obligation date of two different grants, grants from two different years.

In 2015, the CHDO reservation requirement is based on PJ's allocations up through and including 2013, as we talked about, two years back. While the expenditure deadline is calculated against awards up through and including your 2010 HOME allocation. That's five years back. So the original allocation amounts on the different lines as we will see when we take a look at the report here in a minute will be different. Additionally because there can be some variation from year to year as to when HUD actually signs the grant agreement to obligate your grant, the deadlines for CHDO reservation and expenditure that occur in any given year, say 2015, may be on different dates, and we saw that when we looked at the report. We'll see that again in a second that the CHDO reservation requirement deadline and the CHDO expenditure requirement deadline were actually two different dates.

Let's get back into the report. Here we're going to focus on the row marked CHDO-D, or CHDO Disbursements, which is the CHDO expenditure deadline. For this PJ, their upcoming CHDO expenditure deadline is July 31st of this year. I want to point out that the expenditure deadline for this specific PJ is earlier than its CHDO reservation deadline. Again, you're going to see some variation in that based on when HOME grants are obligated from year to year. This date can vary for a variety of reasons including delays in when congress passes the federal budget and other administrative factors. In this case, what we can tell is that HUD obligated those PJs 2010 grant some time in July of 2010, and their five-year clock expires, then July 31, 2015.

The total HOME allocations excluding ADDI are calculated the same way as they are for the CHDO reservation requirement. Notice that the cumulative allocations on this line are smaller than on the CHDO-C line and that's because the expenditure line only looks at grants up through and including 2010 as we talked. In this case for this PJ, that's about $21.9-million. Then adjustments for the CHDO expenditure requirement are going to be the same as those for the CHDO reservation requirement representing any CHDO funds that have been deobligated for the PJ or lost due to expired CHDO funds. Now both requirements are still measured cumulatively, so the adjustments on both lines the CHDO reservation and CHDO expenditure lines will always be the same since once those deobligations happen they affect both requirements moving forward.

The next column gives us the requirement amount or the amount of total expenditure the PJ is required to make from CHDO set-aside funds by its deadline. It's 15 percent of the original allocations excluding ADDI and then adjusted by prior CHDO deobligations. In this case the PJ is required to expend just over $3.2-million on CHDO by July 31st.

Then the next column shows the PJ's total CHDO expenditures through the date of the report. Again in this case it was March 31st. For this PJ is it was about $3.14-million. That works out to a cumulative CHDO expenditure rate of 14.32 percent. Again, the footnote signifies that because of the adjustments that lowered the requirement, it may be possible for the PJ to meet the CHDO expenditure requirement with an overall percentage of less than 15 percent.

Finally we see that in this example the shortfall in CHDO expenditures, which is the difference between the expenditure requirement and the actual total, CHDO expenditures reported in IDIS as of the date of the report. It is a little over $76,000. In other words, the PJ needs to expend $76,393 of CHDO funds prior to its July 31, 2015 deadline in order to meet its cumulative CHDO expenditure requirement.

Just like with the CHDO reservation requirement HUD is going to use IDIS to track PJ's compliance with the CHDO expenditure deadline, but again, we realized that there can be delays in reporting, delays in completing draw downs, so if the HOME Deadline Compliance Status Report shows that you missed the expenditure deadline, you'll again be contacted by your field office and have the opportunity to submit documentation of additional CHDO expenditures that may not have been put into IDIS at the time of your deadline, but they were actually spent prior to the deadline. Things like invoiced, payment vouchers, etcetera. As before depending on what's submitted, HUD will possibly ask for additional backup documentation as needed. After this final review if there's still a shortfall in the PJ's CHDO expenditure requirement, the HUD will process a deobligation, which will reduce the amount of CHDO funds available to the PJ in one or more grants, and then these funds would be lost to you as a PJ.

Okay. Before we wrap up with the formal presentation and take some additional questions, I just wanted to point out a couple of other resources for PJs. First while we've been looking at the HOME Deadline Compliance Status Report, the one that's posted on HUD Exchange. IDIS users out there also have access to the IDIS PR 49 report. The PR 49 report has the same name, the Deadline Compliance Status Report, but it would be specific for your community, so PJs can run this report for their own jurisdiction. Instead of just being published once a month, and just being posted to the web, the PR 49 essentially tracks your progress [in] meeting the deadline requirements in near-real time. It's a day late. Anything that you do today, will be reflected on tomorrow's report, and that's pretty much how all IDIS micro-strategy reports work.

While it doesn't immediately show up if you enter a new CHDO expenditure or fund a new CHDO activity, again, you can run a report tomorrow where those expenditures and activity-funding changes would be reflected. Additionally, there's also the IDIS PR 27, Status of HOME Grants Report, which shows the commitment and expenditure status of all HOME grants by subfund on a fiscal year by fiscal year basis. When it becomes necessary to deobligate funding this is the report that we use here at HUD to determine from where those funds should be deobligated. Ultimately, the PR 49; the PR 27 and the Deadline Compliance Status Report should all have the same data on them. The PR 27 is a little bit of a deeper dive into the same data. If you've got any shortfalls in any of your upcoming deadlines, it will certainly help identify where those shortfalls may be if they're in a subfund.

Okay. I think I'll turn it back over to Dave now.

Dave: Okay. Thank you, Peter. We are going to get to question in a Q&A, and we have some questions lining up. If you have your question, you can contribute to the Q&A button, avoid the chat one. Also if you want to do it verbally to explain whatever your question is, you can do it by *,1. Donna will take you in a queue, and will take you one by one. We wanted to do brief poll first. George, can you bring the poll up. You'll see it on the right-hand side of your screen. Thank you. It's just one question, and we want to get at what changes in deadlines for the CHDO set-aside might have the biggest impact for your particular community or for HUD staff on the line with the PJs with which you're working. For those who are just listening to this and not seeing the visual, the questions we ask are: What impact will it have--that's with only project-specific reservations count toward the 24-month CHDO reservation deadline. Generic project reservations are not allowed any more--Would it be in the area, or the five year expenditure deadline separately apply to the CHDO set aside, or whether these two are equally impactful or maybe neither of these have a significant impact on your particular PJ?

How are we doing, George, in terms of responses? Getting some feedback on this? Of course, after you check one of the boxes, you need to press submit. We'll kind of get a sense of the group as to the impact of what this is going to be for your particular PJ. A couple of more seconds.

Steve: While we give people the chance to finish answering the poll, let me note that we've got a lot of questions that have come in. Some of the questions are relevant to today's primary topic. Some of them really touch on regulatory issues related to what it takes to make a commitment or some other CHDO issues. We won't be able to get to all of those, but we are downloading all of the questions that came in, and we'll make sure that those are used to inform the notices and the other materials on which HUD is working to put out on those topics if we're not able to get to your specific input for us.

Dave: Thank you, Steve. George are we getting close to getting…

George: Yeah. The poll is closed, and the computer is just taking its time getting the results, but they'll be out there in just a few seconds.

Dave: Okay. Thank you. Alright. Okay. It looks like the biggest impact is in a, for most who have responded. Only project-specific reservations counting toward. Getting that 24-month reservation-commitment deadline, meeting that is where it's going to have a major impact. A good number said that both are going to be impactful. Interesting that I can't tell what that percentage is, but neither of these will have a significant impact. It sounds like you're getting that money out of the door. That's what we want to see, but we're expecting that there are going to be adjustments here as I any change particularly when we have to meet deadlines, so this gives us some hints of the pain that this is going to cause. Steve, do you have any reflections on the response there?

Steve: The one thing that I would say is that, as we've been out training, this is consistent about what I've seen. I always encourage people not to panic about the five-year deadline because if you've done the right thing on the front end and are really committing to a project that meets all of the requirements for commitment, the five-year deadline and the four-year project-completion deadline will largely take care of themselves. What we've really done is to raise the bar for when we should be making a commitment to a project to make sure that project is really fully baked and ready to go.

Dave: Okay. Before again, we get into the question, Peter, would you just add some of the resources that people can expect to help with some of this.

Peter: Sure, Dave. Yeah. We'll get to the questions in just a second, but I wanted to just give a brief preview of other things that are coming down the road here. Of course as Steve mentioned, we probably won't get to all of the questions today. If you feel like your question wasn't answered if you're a PJ, you can always contact your CPD rep in your field office. For HUD staff you can always contact your desk officer in the office of affordable housing programs. I did want to give an idea of what's coming down the road in terms of guidance. Our office is working on a variety of other CPD notices, HOME FACTS, HOMEfires, and other guidance and training. You should be on the look out for a CPD notice on the topic of commitments going deeper into that topic than we had time for today. Also a CPD notice on CHDOs is also being developed, and that will reflect the various changes to the CHDO definition the CHDO roles, etcetera, so watch out for that one as well. We're also working on guidance about the underwriting requirements in section 92.250 of the HOME rule. There will be a lot more guidance issued, hopefully very shortly, about the shift to grant-based accounting as that starts to take effect with the 2015 grants.

Then finally with any significant update to a federal regulation like the one through which we went with the 2013 HOME rule, we're finding out that some additional technical updates are needed to help to clarify issues or to correct minor drafting errors in the 2013 rule. There will be both technical corrections and technical amendments to the rule coming out over the next several months. Again, if you have questions out there and you're a HOME PJ, your first line of defense is your CPD rep in the field. Feel free to reach out to them. CPD reps and others in the field offices, again, contact the office of affordable housing programs. We'd be glad to help you out. With that I'll turn things back to Dave for…

Dave: Okay. Time for the question. You know how to reach us. Let's see. We have a number that have come in. Let's start with one for Peter. Thanks. "In your example for the 24-month reservation or commitment deadline the PJ actually has less than 24-months since signed agreement was on September 13th, but the PJ has to commit by September 30th, not by October 31st." Did I hear this correctly? Actually that's a Steve question.

Steve: Okay. Sure. We'll let Peter catch his breath for a minute. Actually it's the opposite. If the deadline was exactly 24 months in this example, then the reservation would have been on September 13th. To keep things simple HUD always runs the reservation deadline through the end of the month, so in reality with the 24-month deadline or the five-year deadline, you're actually getting a couple of extra weeks based on when in the month HUD signed the grant agreement from the given year. Unless they signed the agreement on the last day of the month, you always get 24 months plus a few days.

Dave: It's always helpful to have more time. That's good news, Steve. Okay. We have another one related to commitment. "Does the total commitment amount include the required CHDO commitment amount, or is this amount independent of the CHDO commitment?" Did you catch that, Peter?

Peter: Yeah. That's a really good question, and something that has been somewhat confusing for a while. Do the total commitments on a report include your CHDO commitments. The answer to that is, yes. Your

CHDO commitments are made up of many different things, any CHDO commitments, so that would include CR, CL, CC commitments; it would include CHDO operating commitments; it includes the authorized amount of your administration subfund, it would include any subgrants to state recipients and subrecipients in the SU subfund; and it also obviously includes any of your entitlement funds, your EN activity funding. So all of those things added together, count for your total commitment, so yeah. The total CHDO reservation is included in the total commitment.

Dave: Okay. Thank you, Peter. I thought you had one for me. Oh, you do. Oh, okay. Alright great. The question is, "how do you use program income to draw CR activities. I have CR expenses, but I haven't drawn because I have unused program income. When I set up the draw downs for CR activity program income isn't an option. Do I fund with program income versus CR? If no, does that reduce the CR commitment. This is somewhat similar to a previous question. Give us your take on it.

Peter: Yeah. We talked about that a little bit earlier. I mean. The regulation says that you have to draw down program income before you draw down funds from the treasury account, so technically you have to draw down. If your next draw down is coming from a CHDO activity or CHDO project, you have to draw down the program income first if you have it on hand. That can be a little technically challenging for people who aren't well versed in IDIS. I think if you're having trouble doing that it's probably best to contact your field office or the ask a question system for IDIS on HUD Exchange. If the field office is having trouble helping you, they can certainly contact us, but it comes down to funding the activity with program income and then to reducing the CR funding for the activity, which yeah. It will definitely reduce your CHDO commitments, your CHDO reservations.

Dave: Alright. We have another one that's come in. "My city operates on a reimbursement basis. Does this mean that, if we pay the CHDO with general funds before the expenditure deadline, but have not processed the draw on IDIS, we can still submit information to show that we've effectively met the deadline?"

Steve: Yeah. I think that's exactly the point we were making. I think of course everybody would encourage people to make sure that your IDIS reporting is sort of as current as possible, but if the deadline passes, and you just simply had not put that expense into IDIS, but in fact had expended those dollars, then you'll have the opportunity outside of the system to interact with the field office, give them the documentation, and document that in fact you didn't have a shortfall.

Dave: Okay. "If you could please explain this question again from the poll at the beginning. CHDO reservations made prior to the 2013 HOME final rule still counts towards the PJ's 24-month reservation deadline?"

Steve: Sure. Yeah. Let me expand on that. There's one way perhaps that that could have been misunderstood. Again, that was a true/false question, and the answer for which we were looking for is false. Let me be a little bit clearer. What we're talking about are those generic reservations where perhaps a few years ago a PJ made a reservation to its local Habitat to say, you bring me six projects, and I'm going to set aside money for you. You're going to bring me six projects over time. If those six projects never showed up, it's those types of reservations that previously did count towards your reservation deadline that, as of the first of the year, they dropped out of the cumulative total because they had not led to a project-specific commitment, to an activity funding in IDIS. Those are the types of reservations that no longer count. That's really the substantial change.

Dave: Okay. We have another one that's related to the commitment. "If you have met your CHDO commitment, but have an overall commitment shortfall, can you do another CHDO commitment to meet the overall shortfall?" That's pretty straight forward, Peter?

Peter: Yeah. We touched a little bit on this earlier. Any CHDO commitment is going to be included as a regular commitment, so yeah. You certainly could increase your CR subgrant funds to a CHDO and fund an activity with that subgrant, and that would increase your total CHDO reservations and your total commitments, so the answer is yes.

Dave: Yeah. Good. Do you want to add to that, Steve?

Steve: No. What I wanted to do if I could is sort of-- I see several questions that are getting at the same issue, and I'd like to have Peter kind of talk about that. That is that under the current rules, and again, I want to focus, we're talking today all about kind of the current rules. We're still in a FIFO system. We're still in cumulative measurement. We can't get into all of the details about how this will change other than to acknowledge that it will change with grant-specific accounting, so there is something of a shelf life to today's discussion, but it's important because the deadline you have this year and the deadlines you have next year and the expenditure deadlines you have for a couple of more years, continue to work this way. But let's talk a little bit if we could Peter about the notion that in this year, I maybe put half of my overall money into a CHDO product, and therefore, I went well above the 15 percent. A couple of years ago I did that. Now this year with my 2014 money, I kind of want to back off of the CHDO set-aside, move some of that money to my EN portion because I'm still staying above my cumulative amount. Can you talk a little bit about how that works?

Peter: Yeah. That's actually a great question. For years we've been adjusting CHDO requirements or the CR subfund amounts for PJs that have over reserved in one year, under reserved in other years. Their cumulative CHDO reservation percentage might be 20, 30, 40 percent or higher, and they want to move some of, say the current year's money, out of CR and into EN. We've done that many, many times for PJs upon request. There's actually a HOME FACTS that talks about the process to do that. It's *HOME Facts:Volume One, Number Two*. You can find that on Hud Exchange. Unfortunately that process will stop beginning with the 2015 grants. The 2015 grants, we're going to look at those on a grant-specific basis. Without going into too much detail, you're going to have to meet your commitment requirement and your CHDO reservation requirement for each specific grant beginning in 2015. You're definitely not going to want to under reserve in 2015 and later grants; whereas, that was possible in 2014 and earlier grants because any under reservation beginning with the 2015 grant would lead to a deobligation. Hopefully that's cleared it up for the people who were asking that sort of question.

Dave: Okay. That's a good heads up. Okay. We want to go to the phones. Donna, does anybody in the queue want to ask a question verbally?

Donna: There are not questions at this time.

Dave: There are not questions by phone. Okay.

Steve: There's one question up that somebody must be looking at their report, and they see in the far-right column a four-month notice. We didn't show that on the slides today. Can you talk, Peter, what that four-month notice or sometimes I see a three-month notice what that means?

Peter: Yeah. That's a great question. The staff here at the office of affordable housing programs, we review these reports pretty much constantly. Four months before a PJ's deadline and again one month before a PJ's deadline, if they have a shortfall, the staff here will actually send out a notice or an email to the field office saying, this PJ has a shortfall. Their deadline is fourth months from now, or this PJ has a shortfall and their deadline is a month from now. That's what that means. That comment there in the report just means that

that notice has been sent to the field office. Field offices would be following up with PJs telling them or alerting them of that shortfall.

Steve: Yeah. For those of you, like I am, who are parents of young children, it's like a ten-minute warning that you're about to have to shut down the video game or what have you. HUD makes every effort to give PJs as much notice as possible that you've got this issue, so that you can adjust and try to not lose those funds to your community. In addition to the report, they will reach out to you through the field office to try to make sure that these deadlines are coming up.

Dave: I have another one that probably, Peter, you might want to take. "Earlier on when you said the expenditure deadlines come at different times, that implies that a PJ has to keep track of each grant year's expenditure deadline depending on when HUD signed the grant agreement. Is that correct?"

Peter: Right. We covered this in the presentation a little bit. Because there's variation from year to year on when HUD actually signs the grant agreements and issues HOME grants to PJs. Each PJ wants to pay attention every year about when their deadlines are going to be. We saw in the report, one deadline was July 31st. The other deadline was September 30th. It changes from year to year. If you had a May 31st deadline last year, you may have a June 30th deadline this year. Then also because the CHDO reservation deadline is based on grants two years ago and the CHDO expenditure deadline is based on grants five years ago, there could be different timing for those grants, so that's why we saw the July 31st and September 30th deadlines for that sample PJ this year. The bottom line is, and this is one thing that I would definitely emphasize to every PJ on the phone. You really want to monitor the HOME, deadline-status report every single month. Look at that report every month leading up to your deadlines and make sure that you understand what actions your taking in IDIS, and how those actions will affect your total commitments or your total CHDO reservations.

Dave: Okay. Thank you, Peter. Donna, I just wanted to check back with you to see if there's any calls that have come in.

Donna: Yes. You have a question from the line of Charles Turnbro.

Dave: Alright. Okay. Charles, you're on.

Charles: Can you guys hear me?

Dave: Yes. We can.

Charles: If for some reason the CHDO set-aside funds were not expended through the five years as far as they didn't meet the deadline is there a process to apply for an extension?

Steve: The five year expenditure requirement, Peter, correct me if I'm wrong, that is regulatory not statutory. The 24-month reservation is statutory, so it is possible, and I want to sort of emphasize possible to ask for a waiver for HUD, but waivers are not very common. If there was some extraordinary circumstance, several of your projects got wiped out by a natural disaster and there was this extended period of rebuilding those are the types of things where we see waivers, but it's a pretty high bar to get that waiver.

Peter: I would just add on to what Steve said. This is a new requirement. Obviously, we've never entertained a waiver for it, but with the actual regular expenditure requirement for HOME it's very rarely waived. Only in instances of natural disasters, presidentially declared disasters, like Steve mentioned, do we typically waive that deadline?

Charles: Okay. Thank you very much.

Dave: Thank you. Donna, any others?

Donna: There are not further questions at this time.

Dave: Okay. Another question that has come in. "Since we have two years to commit, we could hypothetically commit this coming year's 15 percent and next year's 15 percent all together next fiscal year?"

Peter: Yeah. That's kind of a tricky question. We're dealing with a significant change as I'm sure you're all aware with changing in 2015 to grant-based accounting and to grant-specific accounting. Theoretically, you're not going to be able to do that; whereas, with your 2014 and earlier HOME grants, you could possibly have done that and met your cumulative requirement. You're not going to be able to do that beginning in 2015. You are going to have to meet that 15 percent requirement each year.

Steve: I think it's worth noting again, and we know that it's frustrating. It's frustrating for us at some level as well. What we really need to kind of keep focused on today's stuff is up through the 2014, all of the stuff about FIFO and cumulative continue to apply. The 2015 and beyond is kind of a whole new world and there are a lot of implications about which we're not prepared to talk that still need to be worked out. There's a lot of training that's being developed around that, so the questions that we're getting, again, are very useful and will help us try to make sure that that guidance and the training is developed to preemptively answer as many of those as possible. There's a lot more to come. I would encourage people to focus now on kind of the problem at hand, which is your 2015 deadlines, which are the current rules. Then we'll get a lot more information to you on the grant-specific, accounting process moving forward.

Dave: Okay. We have one more that's come in. "HOME Deadline Compliance Status Report, please explain adjustment for commitments and disbursements only."

Peter: Yeah. I mean. That's basically the same thing as with the CHDO adjustment on that report as well. These would be deobligations for not meeting your commitment requirement or your disbursement requirement. It could be expired funds, funds left on grants that expired. There are really many reasons why you would have adjustments on that report. Your CHDO adjustments also would be included in your adjustments in the commitment row and the disbursement row. If you have adjustments for your PJ and you have a specific questions about what those adjustments were for, definitely contact your field office. If your field office doesn't know off hand, they will definitely contact us and we'll get the answer for you.

Dave: Okay. Thank you. Let's see. Another one that was related to a question before. "Will CR commitments from a PJ's fiscal year 2015 HOME grant count towards meeting the PJ's cumulative fiscal year-2014 CHDO reservation obligation.

Peter: That's a great question. The answer is, no. Anything that you do in 2015, will not count toward your 2014 cumulative reservation requirement. That's really because of the change from FIFO to grant-specific accounting. You have up through year-2014 grants to meet your cumulative requirement. Let's say, if you became a PJ in 1992, for all of your 1992 through 2014 grants, you would have to funds reserved to those by the deadline for year 2014 funds, which would be in 2016, next year.

Steve: Let me make one small shift in what Peter just said. It's what you do with your 2015 grant money that will not count towards year 2014. Obviously we are in calendar-year 2015 and you're doing it now with your 2014 money, but any of the 2015 money that you start to commit now will not count towards your deadline for the 2014.

Peter: Yeah. We should really expand that to outside of CHDOs. That's going to count for all of your requirements, your commitment requirements; your CHDO reservation requirement; CHDO expenditure and expenditure requirements. Any commitments, reservations, expenditures from year-2015 grant, will not count toward any of those cumulative requirements.

Dave: Okay. Great! We have another one that's an attempt to get at a clarification of material presented earlier. "In the earlier slides showing the three steps for CHDO activities in IDIS, the CR, the CHDO commitment, and activity funding, you indicated I thought that the funds count toward HOME commitment, CHDO commitments only when an activity is funded. Is that correct?"

Steve: Yeah, and actually if you want to, Dave, maybe just jump back to slide number 12, and you'll see that. I think the questioner has it right. It's the slide 12. If you do the dropdown there, you should be able to select slide 12.

Dave: Got it.

Steve: Yes again, first when HUD gives you the money each year, they will put 15 percent of your allocation into the CHDO-reserve subfund. Next as the PJ, you have to subgrant that money. That's what we used to call a reservation to a specific CHDO, but until you actually commit it to a specific project, the activity funding is not being counted towards that reservation deadline. The questioner had that exactly correct.

Dave: Okay. Yeah? No.

Steve: Go back to slide 41.

Dave: Okay. It looks like a more generic question. "We still have an old generic reservation that was subgranted to a CHDO before the rule change. They just aren't progressing toward a project, but because the money is tied up in IDIS, I'm not sure how to move it to a commitment if I'd like to make it to another CHDO. Can you walk me through what I need to do to cancel the reservation to transfer it?" Peter, is that…

Peter: Sure. The answer to this question could get complicated. I'm assuming that the funds are not committed to activities in IDIS. What you'll do is find the specific CHDO subgrant the CR subgrant to that specific CHDO. You'll reduce the authorized amount of that subgrant down to zero. Then you'll add a new subgrant to another CHDO using those same funds in that year's CR subfund, the funds that you just reduced from the first CHDO. That might not answer completely. There might be specific circumstances for this particular PJ. I would recommend either contacting the ask-a-question folks on the HUD Exchange, or even looking at the HOME IDIS-training manual for PJs, which can also be found on HUD Exchange.

Dave: Great! Okay. I think that's about in terms of questions that we need to address. Donna, any final calls that have come in?

Donna: Your first question comes from the line of April Torbit.

Dave: Okay. Hi, April.

April: I just wanted to, I guess, kind of piggyback on of course the 2015 guidance and clarification is pending. I just kind of wanted to piggyback from our perspective as a PJ, just fuel for thought for HUD and the consultants. A lot of PJs will have a situation where they've baked a lot of excess CHDO commitments because they might put out a NOFA (Notice of Funding Availability) every two or three years specific for CHDO activities. With this change that's going to be coming into effect for moving to a no longer cumulative method, what we're kind of envisioning is that, if our calculation for the 15 percent is only perhaps maybe around $300,000, every year we're just going to be kind of forcing our CHDOs to only come up with really small projects. It might be like a condo rehabilitation or something to that effect. This is just something that we've brainstormed, so far, but we're really trying to navigate how this is going to impact the way we usually do CHDO activities specifically for really large rental-housing projects. We won't have our fund deobligated, of course, but we're just not sure how we're going to be able to navigate that. Just fuel for thought as the 2015 guidance is going to be coming out.

Peter: April, we hear you loudly and clearly. We are aware of pretty much every circumstance that PJs face with the changes to grant based accounting and the technicalities of the HOME program. Currently in the HOME rule it describes the cumulative method, so obviously we have to do rule making to change from that method. There'll be a proposed rule at some point in time, and public comment would be solicited for that rule, but I don't want to give the impression, when I talk about the cold hard reality about the world into which we're moving, I don't want to give the impression that we're not sympathetic to PJs and that we don't understand the problems that you're facing because we do. Hopefully that helps a little bit.

Dave: Thank you, Peter. I think Donna, any more?

Donna: Your next question comes from the line of, Kim Schoonover.

Dave: Okay. Hi, Kim.

Kim: Hello.

Dave: Yeah, hi.

Kim: My question is, in the total requirement amount is program income included in that?

Steve: No. It's not included on either end. You don't have to put 15 percent of your program income that you collect towards CHDOs and any program income that you commit to a CHDO also doesn't count towards the cumulative amount that you've reserved or committed, so program income doesn't affect the CHDO set-aside either in terms of how big it needs to be, nor do the commitments of program income to CHDOs credit towards the amount that you've committed to them.

{Unknown}: The question really may be more about total commitment as opposed to CHDO commitment.

Peter: The answer that Steve gave is pretty much the same. You're total commitment requirement is not increased by any program income you receive, and then that program income is not required to be committed or expended. It is required to be expended obviously before treasury funds, but there's not commitment requirement on those CHDO funds. They don't increase your commitment requirement.

Kim: Thank you.

Dave: Okay. Donna, any others?

Donna: Your next question comes from, Lisa Luna.

Dave: Hi, Lisa.

Lisa: Hello. This might have been answered, but again it's going back to prior to 2015, on our compliance report under our CHDO commitments we're at like 21 percent. Are we going to lose that bank as you stated earlier come 2015 when we get into grant specific.

Peter: Yeah. I mean. I think we covered that a little bit earlier. We're not doing a cumulative approach beginning with the 2015 grants. One way of looking at it is you've reserved 20 percent to CHDOs cumulatively, over the years, and now beginning in 2015, you're going to have to reserve 15 percent of each grant to CHDOs.

Lisa: Got it. Okay. Thank you.

Dave: Alright, Donna?

Donna: There are no further questions at this time.

Dave: Okay. Alright. I think we pretty much have the-- That will stop our Q&A. We want to, again, thank everyone for participating, and hopefully this was helpful. Sometimes the information is not what we want, but it's the information with which we're trying to help you with. Just so again, for those who want to review both the slides and the transcript, as George indicated earlier, it should be ready on the HUD website within a week or so, or if you know of others who missed this webinar and who want to listen to it, the transcript will be ready for them. I just want to remind you that, as we close out of the webinar today, there will be a SurveyMonkey to get your reaction and to assess how we did today. That's very important for us to kind of prepare for other webinars. With that, Peter, you have any other closing comments or words?

Peter: No. Thank you everybody for participating. We did have a lot of questions related to the FIFO and cumulative method. We tried to address that as best as we could at this point in time. More guidance is coming hopefully in the near future, but if you continue to have questions, please, contact your field offices.

Dave: Great! Thank you. Okay. Steve?

Steve: Nope. Thank you everyone for your time and for your attention. We will continue to use everything that we've heard today to continue to provide as much and the best guidance we can moving forward with the other training materials on which HUD is working and the other projects with which we're supporting them. Thank you again.

Dave: Great! Well, with that we'll sign off. Everyone have a good rest of the afternoon.

Donna: This concludes today's conference. You may now disconnect.

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