



U.S. Department of Housing and Urban Development  
Community Planning and Development

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**Special Attention of:**

CPD Division Directors  
All HOME Coordinators  
All HOME Participating Jurisdictions

**Notice:** CPD-20-01

Issued: January 8, 2020

Expires: **This NOTICE is effective until it is amended, superseded, or rescinded**

Cross Reference: 24 CFR Part 92

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Subject: Four-Year Completion Requirement for HOME-Assisted Projects

## I. PURPOSE

This Notice provides guidance to HOME participating jurisdictions (PJs) regarding the requirement that HOME-assisted projects be completed within 4 years of the commitment of HOME funds and outlines the process for resolving noncompliance with this requirement.

## II. BACKGROUND

The HOME regulations at 24 CFR 92.2 define a “project” as a site or sites together with any building or buildings located on the site(s) that are under common ownership, management, and financing and are to be assisted with HOME funds as a single undertaking. The project includes all the activities associated with the site and building. For tenant-based rental assistance, project means assistance to one or more families.

HOME funds are committed to a project consisting of rehabilitation or new construction (with or without acquisition) (§92.2 definition of “commit to specific local project”) when the PJ and project owner have executed a written legally binding agreement (that meets the minimum requirements in §92.504(c)) under which HOME assistance will be provided to the owner for an identifiable project for which all necessary financing has been secured, a budget and schedule have been established, and underwriting has been completed and under which construction is scheduled to start within twelve months of the agreement date. If the project is owned by the PJ or State recipient, the project has been set up in HUD’s Integrated Disbursement and Information System (IDIS) and construction can reasonably be expected to start within twelve months of the project set-up date.

After the HOME funds are committed, the PJ may set up and fund a HOME project in IDIS in accordance with §92.502(b). (For IDIS purposes, a HOME project is known as a HOME activity).

Section 92.205(e)(2) requires the termination of projects not completed within 4 years of the commitment date. “Project completion” (§92.2 definition) occurs when:

- all necessary title transfer requirements and construction work have been completed;
- project complies with HOME requirements, including property standards;
- final drawdown of HOME funds has been disbursed; and,
- project completion information has been entered in IDIS, except that for rental projects, project completion occurs upon construction completion and before occupancy.

For homebuyer projects, completion means the final transfer has occurred, and the beneficiary information is entered in IDIS. For rental projects, the project can be completed in IDIS with units marked as “vacant,” but the PJ must enter beneficiary data once the units are occupied.

NOTE: The appropriation acts for FY 2012 and 2013 also contained a 4-year project completion deadline. As of the date of this Notice, all projects subject to the 2012 and 2013 appropriations acts are beyond their 4-year project completion period. Therefore, this Notice addresses projects subject to the 4-year project completion requirements in the HOME rule.

### **III. COMPLIANCE WITH THE FOUR-YEAR PROJECT COMPLETION REQUIREMENT**

HUD uses IDIS activity data to track compliance with the 4-year project completion requirement. Specifically, IDIS generates an “Involuntarily Terminated - Activity not completed within 4 years of Initial Funding Date” flag that blocks a HOME IDIS activity that is still in “open” status 4 years after its initial funding date in IDIS. To track compliance with this deadline, HUD uses the initial funding date of the IDIS activity as a proxy for the date of execution of the written agreement because that date is not captured in IDIS. Once a HOME activity is blocked for failure to meet the 4-year project completion requirement, IDIS will not allow the PJ to make any changes to the activity, which includes editing set-up and accomplishment data, changing the activity status, increasing funding, or disbursing funds. These restrictions *only* affect the activity flagged as Involuntarily Terminated.

### **Compliance Note: Commitment of HOME Funds**

A PJ may not execute a legally binding written agreement committing HOME funds to a project until the PJ has identified the project, met environmental requirements, and secured all necessary financing; established a budget and schedule; and, completed underwriting, including a market analysis and assessment of developer capacity. In addition, if the project is owned by the PJ or State recipient, commitment occurs when the project has been set up in IDIS. Further, construction on the project must be scheduled to start within 12 months of the agreement date (or if the project is owned by the PJ or State recipient, the project setup date).

PJs that enter into HOME commitments prematurely, in violation of the HOME requirements at § 92.2 and § 92.250, also start the 4-year timeline for project completion prematurely. HUD has found that premature commitment of HOME funds is a common reason why HOME projects do not meet the 4-year project completion deadline. When HUD finds evidence of premature commitments, corrective actions may include recalculation of past HOME commitment requirements, where applicable.

PJs that have not met HOME pre-commitment requirements may issue nonbinding awards (e.g. award letters, preliminary reservations), which are not HOME “commitments.” Such non-binding notifications or agreements may not be entered in IDIS. For more information, see CPD Notice 15-09 Requirements for Committing HOME Funds.

To assist PJs in identifying activities that are at-risk of missing the 4-year project completion requirement, HUD generates and posts the [Post-2011 HOME Activities Reports](#) to the HOME webpage on HUD Exchange monthly. The report identifies all activities to which the 4-year project completion requirement applies and includes each activity’s annual action plan year and initial funding date, as well as the activity’s 4-year project completion deadline. In addition, to alert PJs of activities that are at risk of missing the 4-year project completion requirement, IDIS provides warning flags on the HOME Review Activities page for activities that will be flagged for “Involuntarily Terminated - Activity not completed within 4 years of Initial Funding Date” within the next 90 days and 30 days, if action is not taken. These warning flags do not affect the PJ’s ability to set up or draw funds in IDIS for other HOME activities.

As part of its ongoing program oversight, each PJ should regularly review the *PR46 HOME Flagged Activities Report* to identify any activities that have missed the 4-year project completion requirement or that are at risk of being flagged for “Involuntarily Terminated - Activity not completed within 4 years of Initial Funding Date” in the next 30 or 90 days.

If a HOME project does not meet the 4-year project completion requirement and the associated activity is flagged as “Involuntarily Terminated - Activity not completed within 4 years of Initial Funding Date” and blocked in IDIS, the PJ must take the appropriate steps to resolve the noncompliance, as described in Section IV.

#### **IV. RESOLUTION FOR A PROJECT THAT DOES NOT MEET THE FOUR-YEAR PROJECT COMPLETION REQUIREMENT**

##### **A. PROJECTS NOT COMPLETED BEFORE THE FOUR-YEAR COMPLETION DEADLINE**

- 1) Repayment: Generally, if a project has not been completed (in accordance with the definition of *project completion* at §92.2) within 4 years of the commitment as measured by the last dated signature on the written agreement, the PJ must repay all HOME funds disbursed for the project to its HOME account with non-Federal funds in accordance with §92.503(b)(2). The PJ may request a voluntary grant reduction in lieu of repayment under §92.552(a)(1). A PJ should contact its CPD Representative in its HUD Field Office for instructions on how to remit repayment or request a voluntary grant reduction.
- 2) One-Year Extension: A PJ may request an extension of the 4-year project completion deadline of up to one year, if it can demonstrate to HUD that the project will be completed in accordance with §92.205(e)(2). Both the 4-year deadline and the maximum one-year extension are based on the execution date of the written agreement, not the initial funding date in IDIS. For example, if the PJ funded a HOME activity in IDIS three months after executing the written agreement for the project, HUD may grant a maximum extension of up to 1 year based on the date the written agreement was executed and 9 months after the initial funding date in IDIS.

**Requesting an Extension**: A PJ may request an extension by submitting a letter to the CPD Director in its local HUD Field Office. The request should be submitted timely, so that HUD can consider and grant or deny the request before the 4-year deadline occurs.

The PJ must include the following documentation with its extension request:

- The written agreement committing funds to the project, which includes the dated signature of each party;
- A description of the status of the project, including steps being taken to overcome any obstacles to completion;
- A detailed project completion schedule, with milestones, that will ensure the project is completed within one year or less; and,
- Proof that adequate financing has been secured to ensure project completion.

The HUD Field Office will review documentation submitted with the extension request and forward a recommendation to the Office of Affordable Housing Programs (OAHP) at HUD Headquarters. OAHP, in conjunction with the Field Office, will assess whether the PJ has substantiated its assertion that the project will be completed within one year of the project completion deadline. Specifically, HUD will evaluate the budget, secured financing, and construction schedule to ascertain whether the project is likely to be completed within the one-year extended timeframe. The OAHP Director shall approve or deny extension requests.

## **B. PROJECTS OPEN IN IDIS FOR WHICH CONSTRUCTION WAS COMPLETED WITHIN FOUR YEARS**

Occasionally, construction or rehabilitation of a project is completed within the 4-year timeframe, but the project will remain open in IDIS – either in Final Draw status or with funds that have not yet been drawn.

- 1) If the HOME project met the definition of *project completion* at §92.2 as determined by the dated signatures on the written agreement but the PJ did not enter completion information for the project in IDIS and/or change the status of the associated activity to “completed” before the 4-year completion deadline, the Director or Deputy Director of OAHP may approve an extension to authorize removal of the IDIS block and completion of the project as described below. This approval will be based on examination of documentation substantiating construction completion of the project before the 4-year deadline.
- 2) If construction or rehabilitation of the HOME project and final inspection for property standards have been completed but the PJ has not drawn down all funds committed to the project before the 4-year deadline and completed the project in IDIS, the Director or Deputy Director of OAHP may approve an extension to authorize removal of the IDIS block, draw down of remaining funds to pay eligible costs under the written agreement, and change the project’s IDIS status to “completed.” This approval will be based on examination of documentation substantiating construction completion before the 4-year deadline.

**Process for Obtaining Extension to Complete Project in IDIS:** The PJ must submit a written request to the CPD Division in its HUD Field Office via e-mail requesting an extension. The request must include documentation to enable HUD to verify the date of the 4-year deadline and the status of the project:

- The written agreement committing funds to the project;
- A final inspection report or certificate of occupancy to substantiate that all construction work was completed and the project complied with applicable property standards before the 4-year deadline;
- For homebuyer projects, evidence (such as a closing statement or title transfer) that the project was transferred to an eligible homebuyer.
- If funds remain to be drawn for the project, documentation supporting the costs to be paid.

The HUD Field Office will review the documentation submitted with the PJ’s extension request and forward a recommendation to OAHP. OAHP, in conjunction with the Field Office, will assess whether all HOME requirements were met, including that construction or rehabilitation of the project was completed, property standards were met, and for homebuyer projects, the property was transferred to an

eligible homebuyer by the 4-year deadline. The Director or Deputy Director of OAHP will approve an extension and will unblock the IDIS activity to allow the PJ to complete the project in IDIS in accordance with the *project completion* definition at §92.2. The PJ must immediately draw remaining funds for the eligible costs, if applicable, and change the status of the activity in IDIS to “completed”.

### **C. PREVIOUSLY COMPLETED PROJECTS REOPENED AFTER THE FOUR-YEAR COMPLETION DEADLINE**

If the IDIS status of a project was “completed” and the PJ subsequently re-opened the activity in IDIS either in error, to add beneficiary data, or to add additional HOME funds as permitted in §92.214(a)(6) after the 4-year deadline has passed, the activity will be flagged as “Involuntarily Terminated - Activity not completed within 4 years of Initial Funding Date” and blocked in IDIS. In such cases, the PJ should notify the CPD Division in its HUD Field Office, which can submit a request to OAHP via e-mail to remove the block from the IDIS activity to enable the PJ to enter the required beneficiary data, if applicable, and return the activity to completed status.

#### **Process for Obtaining Extension to**

#### **Complete Project in IDIS:**

The PJ must submit a written request to the CPD Division in its HUD Field Office via e-mail requesting an extension. The request must include the original IDIS completion date of the project and the reason the project was reopened. OAHP, in conjunction with the Field Office, will review this information. The Director or Deputy Director of OAHP will approve removal of the IDIS block to allow the PJ to complete the project in IDIS in accordance with the *project completion* definition at §92.2.

#### **Compliance Tip: Entering Beneficiary Information**

For HOME-assisted rental housing, the definition of project completion at §92.2 permits an activity to be completed in IDIS upon completion of construction and before occupancy. This enables PJs to complete a HOME rental activity in IDIS to start the affordability period but requires re-opening the activity in IDIS to enter occupancy data once the HOME units are occupied. A PJ may reopen the completed activity, enter beneficiary information, and re-complete the activity in the same day without the activity becoming flagged for “Involuntarily Terminated - Activity not completed within 4 years of Initial Funding Date” even if the activity is reopened more than 4 years after the IDIS initial funding date.

### **V. QUESTIONS OR ASSISTANCE**

Questions regarding the 4-year project completion deadline for HOME projects or IDIS activities flagged as “Involuntarily Terminated - Activity not completed within 4 years of Initial Funding Date” should be directed to your CPD Representative in your local HUD Field Office.