HOME PROGRAM LIMITS
REFERENCE GUIDE

1. HOME Income Limits

Requirement:

Income Targeting: Tenant-based Rental Assistance and Rental Units - 24 CFR 92.216

- Not less than 90% of families living in HOME-assisted rental units or receiving rental assistance must be families whose annual incomes do not exceed 60% of the median family income.

- The remaining families must be households that qualify as low-income (80% of median family income).

Additional Rent Limitations - 24 CFR 92.252(b)

- In rental projects of 5 or more units, 20% of the HOME-assisted units must be occupied by very low-income families (50% of median family income).

Income Targeting: Homeownership - 24 CFR 92.217

- All units must be occupied by households that qualify as low-income (80% of median family income).

HOME Income Limit Exceptions

- The 1998 Housing Act authorized the Secretary to grant exceptions upon request to 10 jurisdictions who are "capped" at the national median income, in order to raise their low-income limits to 80% of the true median.
  - 62 communities in 10 MSAs have been notified that they have this option.
  - The increased limits are not reflected in the HOME Income Limits issuance which is calculated by HUD’s Office of Policy Development and Research (PDR) and distributed by HUD’s Office of Affordable Housing Programs (OAHP).

Over Income Tenants - Rental Housing - 24 CFR 92.252 (i)

- Tenants who no longer qualify as low-income families may continue to occupy HOME-assisted units, provided they pay as rent the lesser amount payable under State or local law or 30% of the family's adjusted income, except that tenants of HOME-assisted Low Income Housing Tax Credit (LIHTC) units must pay the rent governed by section 42 of the IRS code.

- In projects with floating HOME units, over-income tenants are not required to pay more than the market rent for comparable unassisted units.
Issuance

- Updated HOME Income Limits are calculated annually by HUD’s Office of Policy Development and Research (PDR), once Section 8 income limits have been issued.

- HOME Income Limits are provided for each MSA, PMSA and “Area”, “District” or County, by State. Income Limits are rounded to the nearest $50 (except for the 60% limits).
  
  - 30% Limits (used for the Consolidated Plan)
  - Very Low-Income Limits (generally 50% of median income, but not less than the State non-metropolitan median)
  - 60% Limits (calculated in accordance with IRS guidance for Low Income Housing Tax Credit (LIHTC) projects and rounded to the nearest $1)
  - Low-Income Limits (generally 80% of median income, but capped at the national median income with some exceptions)

- Home Income Limits are usually available in January and distributed in February to each HUD Field Office by a memorandum signed by the Director of HUD’s Office of Affordable Housing Programs (OAHP). Income limits are also posted on the HOME web site.

  - The new Income Limits are effective thirty days from the date of the OAHP memorandum.
  - HUD Field Offices are responsible for distributing the new Income Limits to each to HOME Participating Jurisdiction (PJ).

Web Page:
2. HOME Rent Limits

Requirement:

Qualification as Affordable Housing: Rental Housing - 24 CFR 92.252

- Rents are the “lesser of” the Fair Market Rent (FMR) for the unit size or 30% of the adjusted income of a family whose income equals 65% of the area median (“High HOME Rent”).

- In rental projects of 5 or more HOME-assisted units, 20% of the HOME-assisted units must be occupied by very-low income families whose rents do not exceed 30% of the annual income of a family whose income equals 50% of the area median (“Low HOME Rent”); Low HOME Rents may not exceed High HOME Rents for the unit size.

- HOME rents are not required to be lower than the HOME rent limits for the project in effect at the time of project commitment.

- Any increase in rents is subject to the provision of outstanding leases and tenants must be provided at least 30 days written notice prior to implementing any rent increase.

Federal or State Project-Based Assistance Combined with HOME Funds - 24 CFR 92.252(b)(2)

- The maximum rent (i.e. tenant contribution plus project-based subsidy) is the rent allowable under the federal or State project-based rental subsidy program provided:
  - The Home-assisted unit must be occupied by a very low income family.
  - The very low-income family must pay as a contribution towards rent not more than 30% of the family’s adjusted income.

HOME Rent Limit Exceptions for HOME-Assisted Rental Projects - CPD-94-20

- HUD may adjust the HOME rents for a project if HUD finds that an adjustment is necessary to support the continued financial viability of the project. The adjustment is limited to the amount necessary.

- In general, exception rents should not exceed 120% of the applicable HOME rent.

- Section 8 “exception rents” are not used in calculating HOME program rents in high cost areas. HUD may consider waivers on a case-by-case basis.

Single Room Occupancy (SRO) and Group Housing Rents - CPD 94-01

- SRO Housing
  - If the unit has neither food preparation nor sanitary facilities, or only one, rents may not exceed 75% of the FMR for a 0 bedroom (BR) unit (the “lesser of” standard does not apply).
  - If the unit has both food preparation and sanitary facilities, “High HOME Rents” and “Low HOME Rents” for a 0 BR unit apply.
Group Housing

- Rents are based on the Fair Market Rent (FMR) for the unit size (number of bedrooms).

Section 8 Rents for HOME-assisted Units - PIH 96-63

- PIH 96-63 provides guidance on determining Section 8 rents for units in HOME-assisted projects; however, rents for HOME-assisted units can not exceed the maximum HOME rent for that unit.

Over Income Tenant Rents - Rental Housing - 24 CFR 92.252 (i)

- Over-income tenants must pay as rent the lesser amount payable under State or local law or 30% of the family’s adjusted income, except that tenants of HOME-assisted Low Income Housing Tax Credit (LIHTC) units must pay the rent governed by section 42 of the IRS code.

- In projects with floating HOME units, over-income tenants are not required to pay more than the market rent for comparable unassisted units.

Issuance

- Updated HOME Rent Limits are calculated annually by HUD’s Office of Policy Development and Research (PDR), once the Section 8 Fair Market Rents (FMRs) and income limits have been issued.

- FMRs are generally based on the higher of the 40\textsuperscript{th} percentile rent level or the Statewide average of non-metropolitan counties, subject to a ceiling rent cap.

- Rent Limits are provided for each MSA, PMSA and “Area”, “District” or County, by State.
  - Low HOME Rent Limit (can not exceed the High Home Rent; i.e. they are “capped”)
  - High HOME Rent Limit (the “lesser of” the FMR or the 65% rent limit)
  - For information purposes only:
    - Fair Market Rent (also used for SRO housing rents)
    - 50% Rent Limit (the “uncapped” limit)
    - 65% Rent Limit (the “uncapped” limit)

- Home Rent Limits are usually available in January and distributed in February to each HUD Field Office by a memorandum signed by the Director of HUD’s Office of Affordable Housing Programs (OAHP). Rent Limits are also posted on the HOME web site.
  - The new Rent Limits are effective thirty days from the date of the OAHP memorandum.
  - HUD Field Offices are responsible for distributing the new Rent Limits to each HOME Participating Jurisdiction (PJ).

3. Maximum HOME Per-Unit Subsidy Limits

Requirement:

Assisted homebuyer, homeowner and rental units - 24 CFR 92.250(a)

- the amount of HOME funds that may be invested on a per-unit basis in affordable housing may not exceed the per-unit dollar limits established under Section 221(d)(3)(ii) for elevator type projects that apply to the area in which the housing is located (NB: there are no longer separate limits for non-profit mortgagors and others).

- If the Participating Jurisdiction’s (PJ) per unit subsidy amount has already been increased to 210% as permitted, upon request to the HUD Field Office, HUD will allow the per-unit subsidy amount to be increased on a program-wide basis to an amount up to 240% of the original per-unit limits.

Issuance

- 221(d)(3) program “base” limits are established by Statute. The base limits are adjusted each year for various “base” cities (generally corresponding to cities where HUD has offices) using a high-cost percentage (HCP) which is adjusted for inflation. Generally, the updated HCPs are issued each January, effective January 1.

- 221(d)(3) base limit adjustments are issued by HUD’s Office of Multi-Family Housing. HUD Handbook 4425.1 Rev-2 provides instructions.

- The maximum adjustment for each “base” city is capped at 210% of the original base limit, except for Alaska, Guam, Hawaii and the Virgin Islands.

- For individual buildings, the HUD Multi-Family (MF) Housing Hub Offices and Program Centers have the authority to approve limits up to 240% of the original base limits. The HOME program pursuant to 92.250(a) permits the HUD Field Office CPD Director to increase the subsidy limits up to 240% on a program-wide basis for an individual PJ.

- For cities which are not base cities (Key Localities), the MF Housing Hub Office or Program Center calculates the appropriate limits using the approved adjusted limits for the closest base city and applying a local construction cost multiplier.

- A master list of 221(d)(3) limits for all localities is not available, because of the decentralized nature of the process.

HUD Contact: Applicable HUD Multi-Family (MF) Housing Hub Office or Program Center for the jurisdiction.

Web Page: A listing of MF Hub Offices and Program Centers can be found at:

http://www.hud.gov/offices/hsg/mfh/mfbroch/hubs_pcs.cfm

Statutory mortgage limits and high cost percentage multipliers can be found at:

http://www.hud.gov/offices/hsg/mfh/hicost/hicost.cfm
4. Maximum Purchase Price or After-Rehab Value Limits

Requirement

Qualification as Affordable Housing: Homeownership - 24 CFR 92.254

- Acquisition with or without rehab
  - In the case of acquisition of newly constructed housing or standard housing, the housing may not have a purchase price for the type of single family housing that exceeds 95% of the median purchase price for the area.
  - In the case of acquisition with rehabilitation, the housing may not have an estimated value after rehabilitation that exceeds 95% of the median purchase price for the area.
  - The participating jurisdiction may use the HUD Single Family Mortgage Limits under 203(b) or it may determine 95% of the median area purchase price for single family housing in the jurisdiction in accordance with the regulations.

- Rehabilitation not involving acquisition
  - Housing that is currently owned by a family qualifies as affordable housing only if the estimated value of the property, after rehabilitation, does not exceed 95% of the median purchase price for the area as described above.

Issuance:

- 203(b) ceiling limits for 32 metropolitan high cost areas and the base limit, or floor, in lower cost metropolitan areas are established by Statute, and are based upon a percentage of the Fannie Mae and Freddie Mac conforming loan limits (the limits on mortgages that they can buy). The ceiling is currently 87% and the floor is 48%.

- Mortgagee Letter 98-32 (12/30/98) “Single-family Loan Production-Increase in FHA Maximum Mortgage Limits” established the latest nationwide basic limits (“the ceiling” and “the floor”). The limits are set by County.

- The Director of the applicable HUD Single Family Homeownership Center (HOC) has the authority to approve or adjust maximum 203(b) mortgage limits for additional high-cost areas within the limitations set by the ceiling. The limits are developed by the Program Support Division.

- There is no standard timeframe for updating 203(b) limits. National limits are updated when Fannie Mae and Freddie Mac adjust their loan limits (about once a year). Local limits can be adjusted at any time.

- The latest FHA maximum mortgage limits are available from the HUD web site and are linked to the HOME web page.

HUD Contact: Applicable Single Family Homeownership Center (HOC).

Web Page: A listing of Single Family Homeownership Centers can be found at:

http://www.hud.gov/offices/hsg/sfh/hoc/hsghocs.cfm

The latest maximum mortgage limits can be found through the HUD web page under “Housing – Increase FHA Mortgage Limits” at:

http://www.hud.gov/offices/hsg/sfh/lender/sfhmolin.cfm
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<td>All Assistance</td>
<td><a href="http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/income/index.cfm">http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/income/index.cfm</a></td>
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<tr>
<td>100% NTE 80% of median family income</td>
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<tr>
<td>Rental Assistance</td>
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<td>90% NTE 60% of median family income</td>
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<td>20% NTE 50% of median family income</td>
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<td>in rental projects of 5 or more HOME assisted units</td>
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<tr>
<td>Exception Limits (1998 Act)</td>
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<td>80% of true median</td>
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<td>Optional for 62 PJs in 10 metro areas</td>
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<tr>
<th>HOME RENT LIMITS  92.252</th>
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<td>High HOME Rents</td>
<td><a href="http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/rent/index.cfm">http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/rent/index.cfm</a></td>
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<td>lesser of FMR or 30% of 65% of median family income</td>
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<td>Low HOME Rents (20% of assisted units when 5 or more HOME assisted units)</td>
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<td>NTE High Home Rents</td>
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<td>SRO (w/o both facilities) CPD 94-01</td>
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<td>75% 0BR FMR</td>
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<td>Federal/State Project-based Rent</td>
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<td>family must be very low income (NTE 50% median)</td>
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<td>family must pay no more than 30% adjusted income</td>
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<td>Over-income Tenant Rent</td>
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<td>30% of family’s adjusted income; or rent payable under local/State law; or LIHTC rent</td>
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<td>Rent Exceptions</td>
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<td>HUD may approve exceptions to support financial viability CPD 94-20</td>
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<td>Multi-Family Housing HUB Office or Program Center</td>
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<td>NTE 221(d)(3) limits for elevator type housing</td>
<td><a href="http://www.hud.gov/offices/hsg/mfh/mbroch/hubs_pcs.cfm">http://www.hud.gov/offices/hsg/mfh/mbroch/hubs_pcs.cfm</a></td>
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<td>FO may increase limits to 240% on program-wide basis</td>
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<td>Statutory mortgage limits and high cost percentages</td>
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<tr>
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<td>Single Family Homeownership Center (HOC)</td>
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<td>203(b) limits; or 95% of median purchase price for the area</td>
<td><a href="http://www.hud.gov/offices/hsg/sfh/hoc/hsghocs.cfm">http://www.hud.gov/offices/hsg/sfh/hoc/hsghocs.cfm</a></td>
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<tr>
<td>Latest 203(b) Limits for High Cost Areas</td>
<td><a href="http://www.hud.gov/offices/hsg/sfh/lender/sfhmolin.cfm">http://www.hud.gov/offices/hsg/sfh/lender/sfhmolin.cfm</a></td>
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