



Capital Magnet Fund Recipient Training

Homeownership

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

www.cdfifund.gov

Training Goals



At the conclusion of the webinar, Recipients will understand basic information related to financing Homeownership activities under the Capital Magnet Fund (CMF):

- Typical Homeownership Project lifecycle under CMF
- Environmental Review Requirements
- Commitment
- Disbursement
- Project Completion and Placed into Service Requirements
- Occupancy and Affordability
- Recording Affordability restrictions
- Additional considerations and requirements for Homeownership

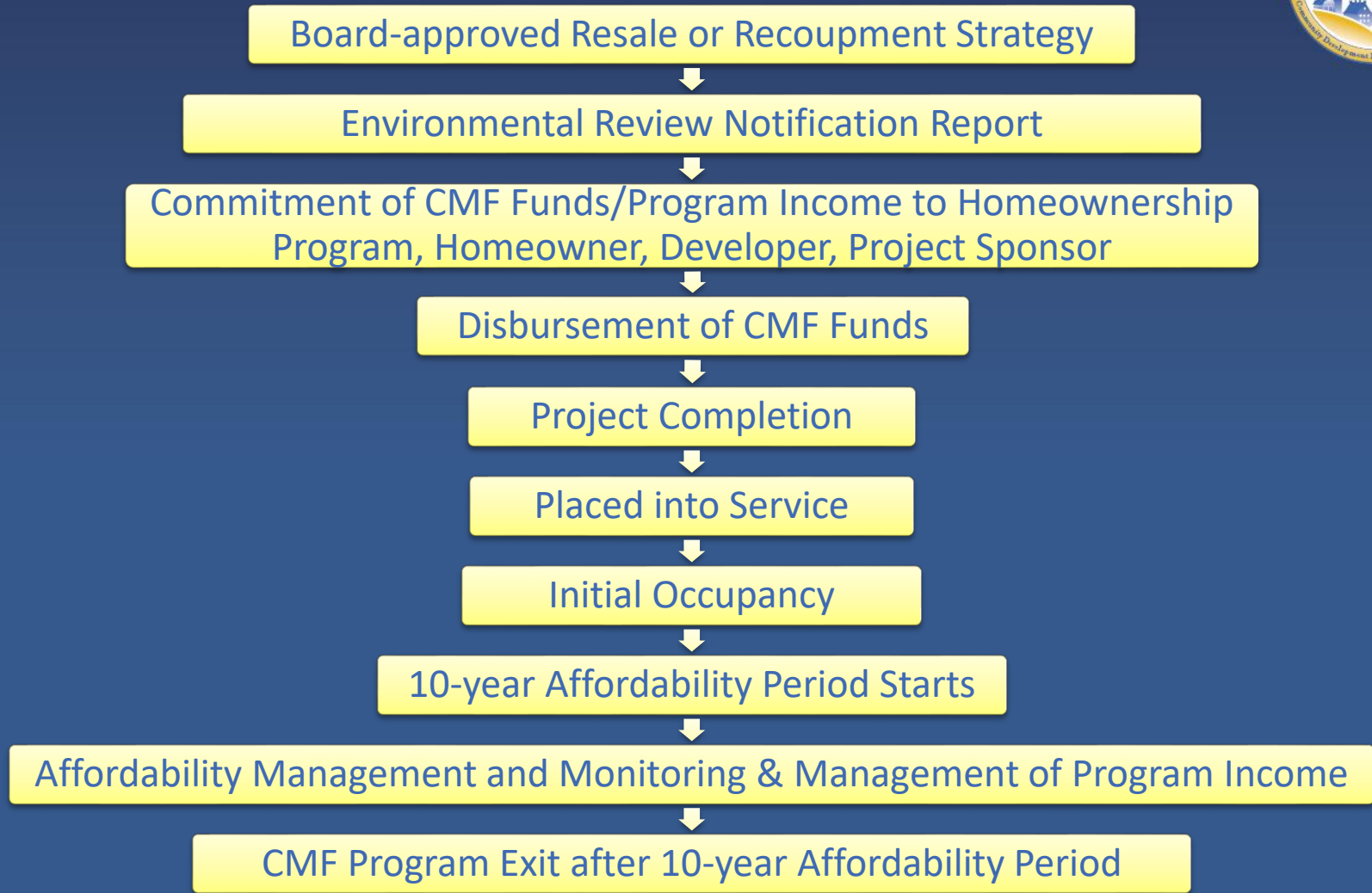
Assistance Agreement is Your Contract



- The Assistance Agreement is a binding legal contract.
- By signing the Assistance Agreement, you agree to its terms and conditions and the requirements of the CMF Interim Rule (12 C.F.R. 1807).
- The specific Performance Goals in the Assistance Agreement may be different than what was proposed in your Application.
- **Caution:** Do not assume that everything proposed in your Application is permissible under the Program rules. Not sure?...Please ask us for guidance!
- 2020 Assistance Agreement \neq 2019 Assistance Agreement
- This presentation is NOT a substitute for reviewing the Assistance Agreement.
- The order of the presentation slides follows the typical Project lifecycle.

** Capitalized terms in the presentation are defined in the CMF Interim Rule and/or the Assistance Agreement

Homeownership Housing Lifecycle



Board-approved Resale or Recoupment Strategy



- Per 12 CFR 1807.402(a)(5) and Section 5.3(g) of the Assistance Agreement, Homeownership Recipients must develop a resale or recoupment strategy to ensure that CMF Awards are being used for qualifying Families for the entire 10-year affordability period.
- A resale or recoupment strategy is required to be written and approved by the board of directors (or equivalent) prior to issuance of the first Homeownership commitment.
- This Strategy should:
 - Ensure Recipient receives notice when a home is sold and outline a process for verifying on-going occupancy by the original Homeowner.
 - Allows the Recipient to directly trace any home replacements and reinvestments. Reporting to the CDFI Fund is required.

Board-approved Resale or Recoupment Strategy (Continued)



- Recipients will design their own resale or recoupment strategy that meets the requirements outlined in the CMF Interim Rule.
- Two elements to resale or recoupment:
 - **Replace the Family/Home:** The original home may be sold to a qualifying Family. Alternatively, if the original home that is sold to a new owner with an income above 120% of Area Median Income, or unknown income, it must be replaced by a new home for a qualifying Family in the same income category.
 - **Reinvest the CMF Award:** The amount of the CMF Award invested in the original home, whether recouped or not, must be reinvested to assist one (or more) additional Homeownership units for qualifying Families.
- Foreclosure and certain other events allow Affordability to terminate.
 - Any amount of the CMF Award that is recovered during foreclosure is subject to reinvestment as Program Income.

Environmental Review Notification Report



- For each Project be sure to complete and keep on file a copy of the Environmental Review Notification Report.
 - If the Recipient determines that no Categorical Exclusion applies, the CDFI Fund must conduct an Environmental Assessment (EA). Notify the CMF Program as soon as possible and prior to investment – EAs can take many months to complete.
 - Categorical Exclusion or CDFI Fund EA determination is required prior to disbursement of the CMF Award in each Project.
 - Recipients must complete assessment for Categorical Exclusion prior to issuance of a commitment.

Commitment



Commitments have four key elements:

1. Written;
2. Executed;
3. Legally-binding; and
4. Made to a homeowner, third-party developer, or project sponsor

Associated Requirements:

- 100% of CMF Award must be Committed within two years of the Effective Date.
- Retain an executed copy of the commitment agreement for possible CDFI Fund review.
- Assistance Agreement requires a written agreement expressly authorizing the CMF grant to only be used for Eligible Project Costs. Commitment agreement can be used to convey this requirement.

Evidencing Commitment



Options for demonstrating commitment for Homeownership Projects:

- **Commitment to Individual Family:** Recipients can treat each homeownership purchase as an individual Project. Each Family is a counterparty for purposes of completing a commitment agreement.
- **Commitment to Homeownership Purchase Program:** Recipient may also elect to issue a commitment to an entire program of multiple Projects for Affordable Homeownership Purchase.
- **Commitment to Developer or Project Sponsor:** Recipients may issue commitments to a developer or a Project Sponsor.
- If there is no counterparty, the Recipient may use the guidance on Alternative Forms of commitment. See Section 4.2 of the Assistance Agreement and the [Guidance on Commitment Counterparty Waiver](#) under the Compliance Resources section for the CMF Program on the CDFI Fund website.

Commitment - Best Practices



1. State explicitly that CMF dollars are being Committed.
2. Include statement that CMF assistance requires 10-year Affordability Period & Recipient access to records for reporting purposes.
3. State any planned restrictions on affordability of units in the Commitment – e.g. minimum of 10 mortgages to Very Low-Income (VLI) Families.
4. Clearly identify the Project being financed (XYZ Project located at 123 Main Street, Manchester, VT 05253 or Smallville Homeownership Finance Program).
5. Include the date of the commitment.
6. Have the commitment counter-signed, if made to a third-party.

Commitment Tips



- Be familiar with Sections 4.1 – 4.3 of the Assistance Agreement.
- A valid commitment requires that the Recipient for each Project be able to demonstrate that:
 - It expects construction to start within 12 months, or
 - Property title transfer within 6 months, or
 - Project Completion within 5 years of Assistance Agreement Effective Date.
- If Recipient strategy involves acquisition of homes which will be held in inventory during rehab, where an occupying Family will be identified only after the work is done, please contact the CDFI Fund regarding technical requirements.
- Request technical assistance via a Service Request as needed.

Disbursement



See Section 3.2(i) & 4.4 of the Assistance Agreement.

- Recipients must disburse at least a portion of the CMF Award (not the Leveraged Costs) to at least one Project within 3 years of the Effective Date.
 - Disbursements to every individual Project are not required by this date.
 - Recipients have until the end of the 5 year Investment Period to fully disburse the CMF Award (100%) into the CMF Projects.

- In the case of a Homeownership Purchase program, or when the Recipient is providing Loan Loss Reserves or Loan Guarantees, initial disbursement occurs:
 - When the first associated loan is closed with the individual homeowner or identifiable Homeownership Project; and
 - The Loan Loss Reserve or guaranty funds are designated for that purpose within a system of record (accounting system).

Project Completion, Placed into Service, and Initial Occupancy



- When the CMF investment involves Purchase or Preservation without rehabilitation - Project Completion, Placed into Service, and Initial Occupancy typically occur on the same date – when the Homeowner takes legal possession of the home.
- When a Recipient acquires an existing home to rehab for later sale to a new Family – Project Completion, Placed into Service, and Initial Occupancy dates may vary depending on the type of financing. Contact the CDFI Fund for technical assistance.
- When the CMF investment involves Rehabilitation for a Family remaining in the home - Project Completion, Placed into Service, and Initial Occupancy typically occur on the same date – when Rehabilitation work is completed.

Affordability Period



See 12 CFR §1807.400 & 12 CFR §1807.402 and Assistance Agreement Section 5.3

- Homeowners are evaluated for income-qualification only at the time of initial qualification. Once income-qualified, the Family will remain so as long as occupancy continues.
- Implement your resale or recoupment strategy to ensure you are meeting affordability requirements.
- Review how to properly report replacement of homes in AMIS - view the recorded demonstration at: <https://youtu.be/YHQKG7glcK8>

Additional Requirements



Additional requirements to be aware of:

- **Purchase Price Limits:** Home purchase price and post-rehab value are limited to 95% of median home value for the area as used in the HOME Program and as determined by HUD and/or the applicable Participating Jurisdiction.
- **Principal Residence:** Housing must remain the principal residence of the Family. Be sure homeowners understand and will abide by this condition. Recipients should at least annually ensure that the Family maintains the home as a principal residence. Otherwise you may be found non-compliant.
- **Review the Interim Rule:** Read the definition of Homeownership in 12 CFR 1807.104. Important conditions apply to ground leases and restrictions on deed for sale contracts.

Additional Requirements (Continued)



- Numerous provisions in the CMF Interim Rule and Assistance Agreement apply to Homeownership:
 - Some compliance measures are based on the entire Homeownership portfolio and others apply at the individual property level.
 - CMF Awards may be used for Homeownership property acquisition and Rehabilitation in combination with mortgage financing.
 - Complex issues may arise when combining acquisition, rehab, and mortgage financing (e.g. to whom to issue the commitment). Seek technical assistance from CMF.
 - Financing of acquisition of manufactured housing communities and rental conversion to ownership is considered Homeownership.
 - Only those Families that are shown to be Eligible-Income can receive CMF financing. The CMF Program does not permit imputation techniques (surveys, census data, area designations) to qualify all Families as income-qualified.

Contact Info & Support



Help and Resources

- **AMIS User Guide:** A step-by-step AMIS User Guide can be found on the AMIS homepage at <https://amis.cdfifund.gov/s/AMISHome>

For the best service, the CDFI Fund recommends submitting a Service Request in AMIS. Select “Capital Magnet Fund” for Program and clearly indicate the issue in the subject line.

Contact Information		
Type of Question	Telephone	Email
Award Support	202-653-0421	CMF@cdfi.treas.gov
AMIS Support	202-653-0422	AMIS@cdfi.treas.gov