

HOME Final Rule Overview

COSFDA
MARCH 16, 2026

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HOME Final Rule Timeline

- **1/6/2025:** Final Rule published with original 2/5/25 effective date and 2/5/2026 compliance date.
- **4/20/2025:** Effective date for most provisions.
- **4/20/2026:** Compliance Date for provisions not further delayed.
- **4/30/2026:** Effective date for further delayed final rule provisions, unless further delayed.
- **10/1/2026:** NSPIRE Compliance Date.
- **1/1/2027:** HOTMA Income Compliance Date.

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Delayed Provisions

- § 92.250(c): 10% increase in Maximum Per-unit Subsidy Limit for projects meeting a green building standard
 - Change in how HUD determines the Max Per-Unit Subsidy requires publication of a Federal Register Notice before becoming effective. 2024 limits remain in effect.
- § 92.253: Revised Tenant Protection requirements, including requirement for HOME-specific mandatory lease addenda

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Applicability

- Final Rule provisions apply to projects to which HOME funds are committed on or after 4/20/2025.
- PJs can implement provisions for previously completed existing projects by amending the HOME written agreement. Exceptions to this are:
 - § 92.206(d)(1) and (2): Eligible Predevelopment Costs
 - § 92.252 and § 92.254: Period of Affordability Thresholds
 - § 92.300: CHDO Own, Develop, and Sponsor Roles

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Streamlines Rental Housing Requirements

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Aligns HOME Rents With Rental Assistance Programs

- In HOME high or low rental units that receive rental assistance through Section 8 Housing Choice Voucher (HCV), Project-Based Voucher (PBV), or Project-Based Rental Assistance (PBRA) programs the owner may charge the rent set by the PHA instead of HOME rent.
- In HOME high or low rent units receiving tenant or project-based rental assistance payments through other Federal, State, or local programs that require that a family pay not more than 30% of monthly adjusted income or 10% of monthly income, the owner may charge the rent specified by the program.
- This aligns with how LIHTC treats units with tenant- or project-based rental assistance.
- Must amend written agreement to apply to past projects

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Aligns HOME Rents with LIHTC Rents

- Rents for projects without rental assistance are unchanged EXCEPT that rent for a unit designated as both LIHTC and HOME Low Rent may be a rent that is not greater than the gross rent for rent-restricted residential LIHTC units under [26 U.S.C. 42\(g\)\(2\)](#).
- Must amend written agreement to apply to past projects

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Aligns Utility Allowance Requirements

- Adds PHA-established utility allowance to list of acceptable utility allowances for HOME rental projects, aligning HOME with Section 8 PBV requirements.
- Regulatory options for HOME utility allowances also include:
 - HUD Utility Schedule Model
 - Other methods permitted by [HOMEfires - Vol. 13 No. 2](#)
 - Another method approved by HUD

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Accept NSPIRE Inspections for Rehab Projects

- Permits PJs to accept a final (post-rehab) inspection and ongoing periodic (rental) inspection conducted by another funder subject to NSPIRE.
- PJs must still conduct initial and progress inspections of rehabilitation projects and determine compliance with its rehabilitation standards and state and local codes, ordinances, and zoning requirements, as required by statute.

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Carbon Monoxide and Smoke Detection

- Requires installation of carbon monoxide and smoke detection
 - CO detection requirements aligns with NSPIRE and Section 8 voucher program
 - Specific standards will be established by Federal Register notice
- Smoke detection requirements align with NFPA 72 and NSPIRE
 - Specific requirements for location of smoke detectors
 - Must have an alarm system designed for hearing-impaired persons
 - Smoke detection must be hardwired with an exception for rehabilitation and acquisition of standard housing
- Permits PJ to provide a written exception to allow an owner to install smoke detector with 10-year non rechargeable, nonreplaceable battery if hardwired smoke detectors are an undue financial burden or installation is infeasible.

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Inspection Sample Size

- Establishes the sample size for ongoing periodic inspections of HOME-assisted rental housing during the period of affordability.
- Inspections must:
 - Be based on a random sample of HOME units with a mix of sizes
 - Comply with the sample size chart in the final rule
 - Include the inspectable areas for each building containing HOME units

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Reduces Burden of Income Determinations

- Revised the income safe harbor HOTMA created for HOME units assisted by Federal or State project-based rental subsidy programs
 - PJs/owners may accept income determinations done by other subsidy programs; HOTMA rule originally was a must.
- HOME rule extends safe harbor to families with other public assistance
 - PJs/owners may accept income determinations (initial and annual recertification) completed in previous 12 months by provider of another form of Federal, State, or local public assistance (e.g., TANF, WIC, SNAP, Medicaid, local rental assistance) or for LIHTC
- If not using safe harbor, 2 months income documentation required
- HOTMA compliance date is January 1, 2027
- Can apply to older project by amending written agreement

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Streamlines Small-Scale Rental Requirements

Simplifies requirements for small-scale rental housing (1-4 total units):

- Reduces frequency of income determinations from annual to every 3 years, with documentation required every 6 years.
- Eases Physical Inspection Schedule/Protocol –
 - every 3 years rather than risk-based schedule
- Permits Alternative Waiting List Requirement
 - PJ may adopt policy to identify and admit tenants when vacancies occur (e.g., a PJ-maintained waiting list)

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Conversion of Rental Units to Homeownership

- Clarifies requirements for purchase of HOME-assisted rental unit by existing tenants during period of affordability (POA)
- In-place tenants, including those who are no longer low-income, may purchase their HOME rental unit.
 - Only families who qualify as low-income may receive HOME assistance to purchase unit.
 - Family must occupy unit as principal residence and agree to imposition of resale restrictions on the housing.
 - POA is time remaining on the original rental POA, unless additional HOME subsidy (e.g., downpayment assistance) is provided.
 - Unit cannot be sold via a lease-purchase agreement.

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Troubled HOME Rental Projects

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Troubled Project Technical Assistance

- Clarifies that HUD may consider project's physical OR financial viability when preserving HOME-assisted housing at risk of failure/foreclosure.
- Physical viability means a project's current or future ability to maintain affordability based on the physical characteristics and factors of the project's site and improvements.
- A project is not financially viable if:
 - Operating costs > operating revenue, considering project reserves
 - Owner is unable to pay for necessary capital repair costs or ongoing project expenses, or
 - Reserves are insufficient to operate the project.

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Troubled HOME Rental Projects (cont.)

- Changes amount of additional HOME funds PJ may invest in a troubled HOME-assisted rental project. Total HOME investment (original = new) must
 - Must be necessary to improve physical and financial viability
 - Cannot exceed per-unit subsidy limit in effect at time additional HOME funds are invested
- Clarifies that HUD may impose conditions on additional HOME investment
 - Extend project's period of affordability
 - Increase number of HOME-assisted units, and/or
 - Change number or designation of Low and High HOME rent units
- Clarifies that HUD may permit reduction in total number of HOME units OR change in unit mix to help stabilize project

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Make TBRA Work Better for Tenants, Landlords, and PJs

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TBRA Updates to Benefit Tenants and PJs

- PJs can establish hardship policies that provides exceptions to the minimum tenant contribution to rent requirement
 - Facilitates use of TBRA for extremely low-income or homeless families.
- Eliminates requirement for annual income recertification
 - Income must be examined for new TBRA contracts and for renewal of TBRA, but not in second year of a 2-year contract.
 - PJs may implement income safe harbor and accept income determinations made in last 12 months for a form of public assistance (e.g., TANF, SNAP, Medicaid, LIHTC unit, WIC)
- PJs/subrecipients can accept physical inspections performed for another funding source using HQS (eventually NSPIRE)

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Simplifies Homeownership Activities

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Homebuyer Changes

- Extends deadline for sale of HOME-assisted homebuyer unit from 9 months to 12 months after construction completion
- Rule provides 4 statutorily compliant model resale provisions
- Fixes timing issue of repairs v. transfer, providing 6 months to meet property standards under certain circumstances

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CLT- Preemptive Purchase Right

- Codifies statutory change permitting Community Land Trusts to exercise preemptive purchase rights to preserve affordability, including but not limited to right to purchase housing in lieu of foreclosure.
- PJs may permit CLTs to exercise such rights if:
 - CLT obtains ownership of housing subject to existing affordability restrictions,
 - Housing resold to eligible homebuyer within 12 months,
 - Period of affordability (POA) continues,
 - PJ cannot provide additional HOME funds to CLT to obtain ownership, rehab unit, hold unit pending resale to eligible homebuyer, or provide homeownership assistance.
 - PJ may directly assist next eligible homebuyer with HOME funds.
 - POA based on homeownership assistance PJ provides to homebuyer.

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Improve Availability and Capacity of CHDOs

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CHDO Board - Low-Income Representation

Broadens who counts toward 1/3 minimum low-income board representation

- Adds “*designees of low-income neighborhood organizations*” (previously, elected representatives)
- Adds “*designees of nonprofit organizations in community that address the housing or supportive service needs of low-income residents or residents of low-income neighborhoods, including homeless providers, Fair Housing Initiatives Program providers, legal aid and disability rights organizations, and victim service providers*”
- Adds “*low-income beneficiaries of HUD programs*” as explicitly named group of eligible board members to maintain board accountability to low-income community residents

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CHDO Board- Public Official Representation

- Narrows who counts toward 1/3 public official limitation on governing board from officials or employees of “*any governmental entity*” to officials or employees of “*the PJ or governmental entity that created the CHDO.*”
- Fewer individuals count as public officials, making it easier for nonprofit organizations to form and maintain compliant CHDO board.

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CHDO Staff Capacity

- To be a CHDO, organization must have paid staff.
- Permits organizations that cannot meet the requirement to demonstrate capacity solely through paid employees with housing development experience to supplement capacity of paid staff with that of board members/officers of the CHDO who will work directly on the HOME-assisted project.

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CHDO “Developer” Role

- Permits CHDO developers to share development responsibilities with other nonprofit/for-profit organizations to enhance capacity
 - Previously, CHDO had to solely exercise effective management control over all aspects of development
- Now, CHDO must retain decision-making authority (expressly outlined in written agreement) for the following responsibilities:
 - site selection,
 - obtaining permit approvals and all project financing,
 - selecting architects, engineers, and general contractors,
 - overseeing project progress, and
 - determining the reasonableness of costs.

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CHDO “Sponsor” Role

- Permits CHDO or its subsidiary acting in “sponsor” role to be:
 - The managing general partner (rather than the sole general partner) of a Limited Partnership (LP)
 - The managing member (rather than the sole managing member) of a Limited Liability Company (LLC)

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Other CHDO Changes

- Eliminated requirement that CHDO continue to own project through period of affordability (POA) for “Developer” and “Sponsor” Roles, not “Owner”
 - PJ may permit transfer of project w/ HOME restrictions to another entity with capacity
 - PJs must determine and document that the CHDO no longer has capacity to own/manage the project for full POA and there are no other CHDOs within the jurisdiction with capacity to own/manage project for POA.
- HUD waiver is possible for CHDO projects funded under “owner” role if it is not possible to maintain ownership throughout the POA.

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Other Program Changes

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Periods of Affordability

Old Threshold	< \$15,000	\$15,000 - \$40,000	\$40,000 +
New Threshold	< \$25,000	\$25,000 - \$50,000	\$50,000 +
Homeownership	5 years	10 years	15 years
Rental (other than below)	5 years	10 years	15 years
Rental (New Construction)	20 years	20 years	20 years
Rental (Rehabilitation involving refinancing)	15 years	15 years	15 years

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Eligible Project Costs: Predevelopment Soft Costs

- Expands predevelopment costs (incurred up to 24 months before HOME commitment) that can be reimbursed with HOME. Includes costs of:
 - Environmental studies and assessments,
 - Processing and settling financing for project, including private lender origination fees, credit reports, fees for title evidence, legal fees, private appraisal fees and fees for independent cost estimates,
 - Accounting fees, filing fees for zoning or planning review and approval, and other lender-required third-party reporting fees.
- Applicable only to HOME projects with commitments made on or after April 20, 2025.

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Eligible Project Costs: Development Soft Costs

- Ground Lease: cost of securing long-term ground lease is an eligible acquisition cost for homeownership
- Insurance: cost of property insurance paid during development phase of a project

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Prohibited Activities and Fees

- Expands, revises, and clarifies prohibited activities and fees for which HOME funds cannot be used
 - Maximum per-unit subsidy limit applicable to a project receiving additional HOME funds within one year of project completion is the limit applicable at project underwriting
 - Prohibits use of HOME funds for surety bonds, security deposit insurance, or similar instruments in lieu of or in addition to a security deposit
 - Prohibits project owners from charging fees to inspect units or correct deficiencies in property condition of units or common areas of project that were not caused by the tenant
 - Details fees that owners are permitted to charge tenants.

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Excess Match

- Clarifies requirements for PJs when using excess match contributions earned in a previous year (also referred to as “carry over” match) to meet a later year’s HOME match obligation.
- Documentation requirements:
 - maintain documentation supporting source, eligibility, and value of match contributions that have been carried over from previous years at time it applies contribution toward its match obligation.
 - maintain records for 5 years from date it applies match credit toward its match liability.