

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**DIVISION OF FINANCIAL ASSISTANCE**

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HOME Management Memo #21-01

MEMORANDUM FOR: HOME Interested Parties

FROM: Janice L. Waddell
Federal Programs Branch Chief

SUBJECT: Policy Change regarding Modest Housing for HOME First-Time Homebuyer Program

The purpose of this memo is to announce the elimination of the state HOME Program's requirement that HOME First-Time Homebuyer Downpayment Assistance Program (FTHB) Program Guidelines contain the following Modest Housing language:

3.1. LOCATION AND CHARACTERISTICS

...

- E. Housing must be "modest", having no more than three bedrooms, two bathrooms, and a two-car garage. Larger homes are acceptable if necessary for only the following reasons:
- The family size necessitates additional bedroom(s); or
 - A reasonable accommodation is necessary due to the family's disability (e.g. an extra bedroom for an aide)

Exceptions for these reasons must be approved by the Loan Committee and must be documented for monitoring purposes.

This requirement is being removed to facilitate a broader inventory of homes eligible for grantees' HOME FTHB programs.

State of California HOME Program grantees who wish to remove the above provisions from their HOME FTHB Program Guidelines must submit to their HOME Program Representative ([CLICK HERE FOR HOME REPRESENTATIVE MAP](#)) their HOME FTHB Program Guidelines with requested edits, for approval. The Program Guidelines must be submitted in MS Word format, with tracked changes.

Regardless of whether each grantee chooses to eliminate or modify its FTHB Program Guidelines' modest housing language, the HOME Final Rule at 24 CFR Part 92 addresses modest housing as follows, which must still be complied with:

§92.254 Qualification as affordable housing: Homeownership.

(a) *Acquisition with or without rehabilitation.* Housing that is for acquisition by a family must meet the affordability requirements of this paragraph (a).

(1) The housing must be single family housing.

(2) The housing must be modest housing as follows:

(i) In the case of acquisition of newly constructed housing or standard housing, the housing has a purchase price for the type of single family housing that does not exceed 95 percent of the median purchase price for the area, as described in paragraph (a)(2)(iii) of this section.

(ii) In the case of acquisition with rehabilitation, the housing has an estimated value after rehabilitation that does not exceed 95 percent of the median purchase price for the area, described in paragraph (a)(2)(iii) of this section.

(iii) If a participating jurisdiction intends to use HOME funds for homebuyer assistance or for the rehabilitation of owner-occupied single-family properties, the participating jurisdiction must use the HOME affordable homeownership limits provided by HUD for newly constructed housing and for existing housing. HUD will provide limits for affordable newly constructed housing based on 95 percent of the median purchase price for the area using Federal Housing Administration (FHA) single family mortgage program data for newly constructed housing, with a minimum limit based on 95 percent of the U.S. median purchase price for new construction for nonmetropolitan areas. HUD will provide limits for affordable existing housing based on 95 percent of the median purchase price for the area using Federal FHA single family mortgage program data for existing housing data and other appropriate data that are available nation-wide for sales of existing housing, with a minimum limit based on 95 percent of the state-wide nonmetropolitan area median purchase price using this data. In lieu of the limits provided by HUD, the participating jurisdiction may determine 95 percent of the median area purchase price for single family housing in the jurisdiction annually, as follows. The participating jurisdiction must set forth the price for different types of single family housing for the jurisdiction. The participating jurisdiction may determine separate limits for existing housing and newly constructed housing. For housing located outside of metropolitan areas, a State may aggregate sales data from more than one county, if the counties are contiguous and similarly situated. The following information must be included in the annual action plan of the Consolidated Plan submitted to HUD for review and updated in each action plan.

Please contact HOME Program Manager Jay Cortese at jay.cortese@hcd.ca.gov if you have any questions.