

Red Tape Review Rule Report (Due: September 1, 2025)

Department Name:	IFA	Date:	July 15, 2025	Total Rule Count:	9
IAC #:	265	Chapter/ SubChapter / Rule(s):	Chapter # 39	Iowa Code Section Authorizing Rule:	16.5(1)f and 16.5(1)(m)
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PLEASE NOTE, THE BOXES BELOW WILL EXPAND AS YOU TYPE

What is the intended benefit of the rule?

The intended benefit of Chapter 39 is to set forth rules to be followed in awarding HOME investment partnership program funds and maintaining the projects through the life of the HOME project. The program provides loans to developers strengthen public-private partnerships and to expand the supply of decent, safe, sanitary, and affordable housing, with primary attention to rental housing, for very low-income and low-income families or to strengthen public-private partnerships or to provide direct rental assistance to low-income people pursuant to Iowa Code Chapter 16, Subchapter IV, Part I.

Is the benefit being achieved? Please provide evidence.

Yes, the benefit is being achieved. The authority is able to effectively award and administer loans through the program.

What are the costs incurred by the public to comply with the rule?

Entities interested in applying for the program may require staff time to complete an application to receive a loan. Recipients of loans may similarly incur costs to comply with reporting and monitoring requirements of the program. Some applicants/recipients may choose to rely on an external service provider to complete these tasks, such as a consultant. The amount of the costs will vary, depending on the compensation of staff or service providers involved. The application and reports require minimal time to complete.

What are the costs to the agency or any other agency to implement/enforce the rule?

IFA staff time is required to review and prepare applications for approval, draft and execute program contracts, disburse funds, review reports, and communicate with program applicants and recipients.

Do the costs justify the benefits achieved? Please explain.

Yes. Only entities that will potentially benefit from the program incur any costs. The costs to the state to administer the program are proportional to the activities supported.

Are there less restrictive alternatives to accomplish the benefit? ☐ YES ☒ NO

If YES, please list alternative(s) and provide analysis of less restrictive alternatives from other states, if applicable. If NO, please explain.

The application and administrative requirements of the rules are no more than necessary to implement the purposes of the program.

Does this chapter/rule(s) contain language that is obsolete, outdated, inconsistent, redundant, or unnecessary language, including instances where rule language is duplicative of statutory language? [list chapter/rule number(s) that fall under any of the above categories]

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Yes.

Rule 39.1 should be updated to reflect the purpose of the HOME program.

Rule 39.2 should be updated for clarity and to update definitions.

Rule 39.3 should be updated to be more concise.

Rule 39.4 should be updated for clarity.

Rule 39.5 should be updated to clarify procedures in the application process.

Rule 39.6 should be updated to clarify the information needed for the application.

Rule 39.7 should be updated to eliminate unnecessary language.

Rule 39.8 should be updated to clarify the current procedures in place for the HOME program.

Rule 39.9 should be updated to reflect the current procedures for administration of awards after the awards are made.

RULES PROPOSED FOR REPEAL (list rule number[s]):

None.

***RULES PROPOSED FOR RE-PROMULGATION* (list rule number[s] or include text if available):**

CHAPTER 39
HOME INVESTMENT PARTNERSHIPS PROGRAM

265—39.1(16) Purpose. The primary purpose of HOME is to strengthen public-private partnerships and to expand the supply of decent, safe, sanitary, and affordable housing, with primary attention to rental housing, for very low-income and low-income families or to strengthen public-private partnerships or to provide direct rental assistance to low-income people.

265—39.2(16) Definitions. When used in this chapter, unless the context otherwise requires:

“*Activity*” means one or more specific housing activities, projects or programs assisted through HOME.

“*Administrative plan*” means a document that a HOME recipient establishes that describes the operation of a funded activity in compliance with all state and federal requirements.

“*Authority*” means the Iowa finance authority established pursuant to Iowa Code section 16.1A. “*CHDO*” means a community housing development organization certified as such by the authority pursuant to 24 CFR § 92.2.

“*Consolidated plan*” means the state’s housing and community development planning document and the annual action plan update approved by HUD pursuant to 24 CFR 91.

“*Contract*” means a binding written agreement executed by the authority and the recipient or subrecipient for the purpose of utilizing HOME funds to build, buy or rehabilitate (or both buy and rehabilitate) affordable housing for rent or homeownership or to provide direct rental assistance to low-income people.

“*HOME*” means the HOME Investment Partnerships Program, authorized by the Cranston-Gonzalez National Affordable Housing Act of 1990.

“*HUD*” means the U.S. Department of Housing and Urban Development.

“*Low-income*” means families whose annual incomes do not exceed 80 percent of the median income for the area, as determined by HUD, with adjustments for smaller and larger families, except that HUD may establish income ceilings higher or lower than 80 percent of the median for the area on the basis of HUD findings that such variations are necessary because of prevailing levels of construction costs or fair market rents, or unusually high or low family incomes. An individual does not qualify as a low-income family if the individual is enrolled as a student at an institution of higher education; is under 24 years of age; is not a veteran of the United States military; is unmarried; does not have a dependent child; is not a person with disabilities, as such term is defined in section 3(b)(3)(E) of the 1937 Act and was not receiving assistance under section 8 of the 1937 Act as of November 30, 2005; and is not otherwise individually eligible, or has parents who, individually or jointly, are not eligible on the basis of income to receive assistance under section 8 of the 1937 Act or does not have parents who qualify as low-income.

“*Period of affordability*” means the period of time, as specified in 24 CFR §§92.252 and 92.254, that requirements under HOME must be followed.

“*Program income*” means gross income received by the participating jurisdiction, state recipient, or a subrecipient at any time, generated from the use of HOME funds or matching contributions.

“*Project*” means a site or sites together with any building (including a manufactured housing unit) 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.

“*Recaptured funds*” means HOME funds which are recouped by the recipient when the housing unit assisted by the HOME program homebuyer funds does not continue to be the principal residence of the assisted homebuyer for the full period of affordability.

“*Recipient*” means the entity under contract with the authority to receive HOME funds and undertake the funded housing activity.

“*Repayment*” means HOME funds which the recipient repays to the authority because the funds were invested in a project or activity that is terminated before completion or were invested in a project or activity which failed to comply with federal program requirements.

“*Subrecipient*” means a governmental entity or nonprofit organization selected by the authority to administer all or a portion of the authority’s HOME programs to produce affordable housing, provide homeownership assistance, or provide tenant-based rental assistance under the HOME program. A public agency or nonprofit organization that receives HOME funds solely as a developer or owner of housing is not a subrecipient. The selection of a subrecipient by the authority is not subject to the procurement procedures and requirements under federal or state law.

265—39.3(16) Eligible applicants. Eligible applicants for HOME assistance include nonprofit 501(c) organizations, CHDOs, and for-profit corporations or partnerships.

265—39.4(16) Eligible activities and forms of assistance.

39.4(1) Eligible activities may include tenant-based rental assistance, rental housing rehabilitation, rental housing new construction and adaptive reuse, homebuyer assistance that includes some form of direct subsidy to the homebuyer, and other housing-related activities as may be deemed appropriate by the authority.

39.4(2) Eligible forms of assistance include grants, interest-bearing loans, non-interest-bearing loans, interest subsidies, deferred payment loans, forgivable loans or other forms of assistance as may be approved by the authority.

39.4(3) Program income may be retained by recipient upon written agreement prepared by the authority and executed by recipient or subrecipient and the authority.

39.4(4) A site including any building located thereon or project acquired or used for rental activities must be held in fee simple title by the recipient upon the disbursement of HOME funds and throughout the contract term with the authority. An installment contract or leasehold interest is not an acceptable recipient interest.

39.4(5) A site including any building located thereon or project acquired or used for homebuyer activities must be held in fee simple title by the recipient or homebuyer upon the disbursement of HOME funds and throughout the contract term with the authority. An installment contract or leasehold interest is not an acceptable recipient or homebuyer interest.

265—39.5(16) Application procedure. HOME applications will be received from eligible applicants in the online system prescribed by the authority as often as the state expects funding from HUD. At a minimum, applications will include the amount of funds requested, a description of the need for the funds, documentation of other available committed funding sources, the source of required local match, and the estimated number of persons to be served by the applicant. Maximum and minimum grant awards will be established by the authority for each application round

265—39.6(16) Application requirements. An application which meets the following threshold criteria will be considered for HOME assistance.

39.6(1) The application proposes a housing activity consistent with the HOME fund purpose and eligibility requirements and the state consolidated plan approved by HUD.

39.6(2) The application documents the applicant's capacity to administer the proposed activity. Such documentation may include evidence of successful administration of prior housing activities. The authority reserves sole discretion to deny funding to an applicant that has failed to comply with federal or state requirements in the administration of a previous project funded by the state of Iowa or that failed to comply with federal requirements in the administration of a previous project funded in any other state. Documentation of the ability of the applicant to provide technical services and the availability of certified lead professionals and contractors either trained in safe work practices or certified as abatement contractors may also be required as applicable to the HOME fund activity.

39.6(3) Recipients of funds for homeownership as defined by 24 CFR 92.254 may allow the beneficiaries of the funds to use a principal mortgage loan product from a third party that meets the following criteria:

a. With the exception of Habitat for Humanity principal mortgage loan products, the principal mortgage loan is the only repayable loan in all individual homebuyer assistance projects.

b. The HOME assistance must be recorded in second lien position to the principal mortgage loan, if one exists. Recipients of HOME homebuyer assistance must maintain their assistance security agreements in the above-stated recording position throughout the applicable period of affordability and will not be allowed to subordinate the required recording position to any other form of assistance, such as home equity loans. A homebuyer search is required, and any collection/unpaid obligation that would become a judgment or any judgments must be paid in full prior to closing.

c. Any mortgage lending entity's principal mortgage loan products may be used provided the entity's principal mortgage includes the following terms:

- (1) Fully amortizing, fixed-rate loan with rate not to exceed Fannie Mae 90-day yield + 0.125%;
- (2) No less than a 15-year, fully amortized, fixed-rate mortgage will be allowed; and
- (3) No adjustable rate mortgages or balloon payment types of mortgages will be allowed.

265—39.7(16) Application review criteria.

39.7(1) the authority will evaluate applications and make funding decisions based on general activity criteria, need, impact, feasibility, and activity administration based upon the specific type of activity to be undertaken. The general activity criteria will included in the application. Training will be offered prior to the application deadline to provide information and technical assistance to potential applicants.

39.7(2) Notice of the availability of funding and the funding round requirements will be placed on the authority's Web site at opportunityiowa.gov.

265—39.8(16) Allocation of funds.

39.8(1) The authority may retain up to 10 percent of the state’s annual HOME allocation from HUD for administrative costs associated with program implementation and operation.

39.8(2) Not less than 15 percent of the state’s annual HOME allocation is reserved for eligible housing activities developed, sponsored or owned by CHDOs, unless HUD allows a lower percentage.

39.8(3) The authority reserves the right to negotiate the amount of funds provided for general administration, but the maximum amount of the total HOME award that may be used for general administrative costs is 10 percent of the HOME award. Only local government and nonprofit recipients are eligible for general administrative funds.

39.8(4) The authority reserves the right to negotiate the amount and terms of a HOME award.

39.8(5) The authority reserves the right to make award decisions such that the state maintains the required level of local match to HOME funds.

265—39.9(16) Administration of awards. Applicants selected to receive HOME awards will be notified by letter from the authority’s director or designee. IFA and the recipient or subrecipient will execute a contract prepared by the authority.

39.9(1) Requests for funds. Recipients shall submit requests for funds in the manner and on forms prescribed by the authority. Adequate and itemized documentation supporting the amount of funds requested must be provided to and approved by the authority prior to release of funds. For rental projects, the authority may retain up to 10 percent of the total HOME award for up to 30 days after the recipient satisfactorily completes the work, all HOME-assisted units have been initially occupied, and a final draw and completion form has been submitted to and approved by the authority.

265-39.10(16) References. All references to the Code of Federal Regulations, United States Code, and federal acts, including the Cranston-Gonzalez National Affordable Housing Act of 1990, in this chapter are as in effect [effective date of this rulemaking].

These rules are intended to implement Iowa Code sections 16.5(1) “f” and 16.5(1) “m” and the Cranston-Gonzalez National Affordable Housing Act of 1990.

***For rules being re-promulgated with changes, you may attach a document with suggested changes.**

METRICS

Total number of rules repealed:	0
Proposed word count reduction after repeal and/or re-promulgation	0
Proposed number of restrictive terms eliminated after repeal and/or re-promulgation	24

ARE THERE ANY STATUTORY CHANGES YOU WOULD RECOMMEND INCLUDING CODIFYING ANY RULES?

No.