



The State of Iowa
**New Housing Construction
Single-Family Program Guidelines**

Version 1.0, June 2026

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Version History

Version	Date	Summary Description
1.0	June 2026	Original



Program Summary

Program Summary

Purpose

The New Housing Construction Single-Family program will build new resilient, affordable housing that will be coordinated with homebuyer assistance. Communities still face significant needs for restoring and improving the resilience of the housing stock in the disaster impacted MID areas. The homes will be available to LMI households who are previous or current homeowners, as well as households who want to transition from renting to home ownership. The homes will first be offered to disaster-impacted families.

HUD has allocated \$134,687,000 in Community Development Block Grant-Disaster Recovery CDBG-DR funds to the State of Iowa in response to the June 2024 Midwest Flooding (FEMA DR-4796-IA), through publication of the Federal Register, Vol. 90, No. 10 (January 16, 2025; FR-6512-N-01). This allocation was made available through the Disaster Relief Supplemental Appropriations Act, 2025 (Pub. L. 118-158).

The state understands that a variety of housing sizes and types are needed to respond to the needs of all residents. Therefore, the program aims to fund the construction of owner-occupied single-family houses on vacant lots within existing neighborhoods or the development of homes in newly constructed neighborhoods.

How to use these Guidelines

This manual describes the policies for the Single Family New Construction program. There is an Appendix that includes useful templates and documents needed for project implementation as well as a Homebuyer Guide to provide more detailed information about homebuyer requirements.

Definitions

- **Unit of General Local Government (UGLG):** Any city, county, town, township, parish, political subdivision of a state, or public agency that has the authority to undertake activities eligible for assistance.
- **Applicant:** Unit of Local Government or Tribe.
- **Subrecipient:** The 'Applicant' becomes a Subrecipient from IEDA for any awarded funds.
- **Grant Administrators:** A Grant Administrator (GA) is an individual who has engaged with the Iowa Economic Development Authority (IEDA) for inclusion into the Certified Grant Administrator (CGA) Program for training and certification requirements necessary to administer grant funded projects in Iowa. GAs are responsible for ensuring full compliance with federal and state regulations across all phases of the funded project. Applicants can acquire a list of Certified Grant Administrators by contacting IEDA. Please see IEDAs CGA Policy and Training Resources for details.



- **Grant Administration (CDBG-DR)** Per HUD, Program Administration Costs (PACs) for CDBG-DR are defined as “reasonable general costs (including carrying charges) of grant management that do not include staff and overhead costs directly related to carrying out other CDBG-DR eligible activities” ([CPD Notice 2023-06](#)). **These apply to IEDA staff to administer the grant at the State level.**
- **Project Delivery (CDBG-DR)** Per HUD, Activity Delivery Costs (ADCs) for CDBG-DR are defined as “allowable costs incurred for implementing and carrying out eligible CDBG-DR activities. All ADCs must be allocable to a CDBG-DR activity and include direct costs integral to the delivery of the final CDBG-DR assisted activity” ([CPD Notice 2023-06](#)). For CDBG-DR programs, Project / Activity Delivery refers to the implementation-level tasks required to carry out a specific CDBG-DR activity approved in the Action Plan and established in DRGR. Under IEDA’s CDBG-DR model, nearly all reimbursable work performed by external CGAs is classified as Project / Activity Delivery, **not Grant Administration.**
- **Developer:** A developer is a for-profit or nonprofit individual or entity that the grantee provides CDBG-DR funding to for the purpose of constructing new housing. Subrecipients will enter into development agreement with a developer who maintains site control of the project site.
- **Low to Moderate Income Household:** These are households that make at or below 80% of the area median income of the county in which the housing unit is built. Income verifications must be completed in accordance with 24 CFR 5.609 (Part 5 Annual Income). Income verifications are valid for 12 months from the date verification is completed.
- **Tribes:** [Federally recognized Indian tribes](#), bands, nations, and Alaska Native villages, as defined under Title I of the Indian Self-Determination and Education Assistance Act
- **Recipient:** Iowa Economic Development Authority (IEDA), as the receiving entity of the HUD program funds on behalf of the state of Iowa.
- **Vendor:** Any contractor or consultant hired by the Subrecipient to perform services or provide products to support the proposed project.

Additional definitions can be found in the CDBG Management Guide.

Project Specific Definitions

- **Development Agreement:** This is the agreement executed between the Subrecipient/Responsible Entity and the Developer. This is NOT a subrecipient agreement per HUD regulations, as it does not delegate the roles and responsibilities of the subrecipient/Responsible Entity down to the Owner/Developer. The Subrecipient/Responsible Entity retains all responsibilities, and the Developer owns the property and executes the project.
- **Period of Affordability:** The term in which the assisted unit must remain in the ownership of the original homeowner and be used as their primary residence.
- **First time homebuyer:** An individual who has not owned a principal residence during the three years preceding the purchase of a new home.



Administration

This program is administered by the Iowa Economic Development Authority (IEDA). IEDA is a state agency which administers Community Development Block Grant-Disaster Recovery (CDBG-DR) awards issued to the State of Iowa by the U.S. Department of Housing & Urban Development (HUD). Administrative activities are led by the IEDA CDBG Team Lead and members of the CDBG team.

Available Funds

Program	Budget
Single Family New Construction	\$30,000,000

Maximum Awards

Housing Construction Incentive Per Unit	Mitigation Construction Incentive Per Unit	Infrastructure in Support of Housing Incentive Per Unit*	Homebuyer Assistance Incentive Per Unit
Up to \$200,000	Up to \$25,000	Up to \$90,000 (or 35% of housing construction whichever is lower)	Up to \$35,000

All incentives will be applied for on the New Housing Construction Single-Family Owner-Occupied program application.

*Infrastructure in support of housing will be awarded competitively and not available to every awarded unit. There is \$10,000,000 allocated to Infrastructure in support of housing and will be utilized by this program as well as the New Housing Construction Rental Program.

Eligible Activities

Acquisition, construction, reconstruction or installation of public works, facilities, and site or other improvements: HCDA Section 105(a) 1,2, 4, 5, 11, 14, 15 and 24; applicable waivers identified in the Allocation Announcement Notice (90 FR 4754) and Universal Notice (90 FR 1754).

Eligible Activities	
Section 105(a)(1)	Acquisition of real property (including air rights, water rights, and other interests therein) which is <ul style="list-style-type: none"> A. blighted, deteriorated, deteriorating, undeveloped, or inappropriately developed from the standpoint of sound community development and growth; B. appropriate for rehabilitation or conservation activities; C. appropriate for the preservation or restoration of historic sites, the beautification of urban land, the conservation of open spaces, natural resources, and scenic areas, the provision of recreational opportunities, or the guidance of urban development; D. to be used for the provision of public works, facilities, and improvements eligible for assistance under this title; or E. to be used for other public purposes



Eligible Activities	
Section 105(a)(2)	the acquisition, construction, reconstruction, or installation (including design features and improvements with respect to such construction, reconstruction, or installation that promote energy efficiency) of public works, facilities (except for buildings for the general conduct of government), and site or other improvements
Section 105(a)(4)	Clearance, demolition, removal, reconstruction, and rehabilitation (including rehabilitation which promotes energy efficiency) of buildings and improvements (including interim assistance, and financing public or private acquisition for reconstruction or rehabilitation, and reconstruction or rehabilitation, of privately owned properties, and including the renovation of closed school buildings).
Section 105(a)(11)	relocation payments and assistance for displaced individuals, families, businesses, organizations, and farm operations, when determined by the grantee to be appropriate;
Section 105(a)(14)	Provision of assistance including loans (both interim and long-term) and grants for activities which are carried out by public or private nonprofit entities, including (A) acquisition of real property; (A) acquisition of real property; (B) acquisition, construction, reconstruction, rehabilitation, or installation of (i) public facilities (except for buildings for the general conduct of government), site improvements, and utilities, and (ii) commercial or industrial buildings or structures and other commercial or industrial real property improvements; and (C) planning;
Section 105(a)(15)	assistance to neighborhood-based nonprofit organizations, local development corporations, nonprofit organizations serving the development needs of the communities in non-entitlement areas, or entities organized under section 301(d) of the Small Business Investment Act of 1958 to carry out a neighborhood revitalization or community economic development or energy conservation project in furtherance of the objectives of section 101(c) of this title, and assistance to neighborhood-based nonprofit organizations, or other private or public nonprofit organizations, for the purpose of assisting, as part of neighborhood revitalization or other community development, the development of shared housing opportunities (other than by construction of new facilities) in which elderly families (as defined in section 3(b)(3) of the United States Housing Act of 1937) benefit as a result of living in a dwelling in which the facilities are shared with others in a manner that effectively and efficiently meets the housing needs of the residents and thereby reduces their cost of housing;
Section 105(a)(24)	provision of direct assistance to facilitate and expand homeownership among persons of low and moderate income (except that such assistance shall not be considered a public service for purposes of paragraph (8)) by using such assistance to — (A) subsidize interest rates and mortgage principal amounts for low- and moderate income homebuyers; (B) finance the acquisition by low- and moderate-income homebuyers of housing that is occupied by the homebuyers; (C) acquire guarantees for mortgage financing obtained by low- and moderate-income homebuyers from private lenders (except that amounts received under this title may not be used under this subparagraph to directly guarantee such mortgage financing and grantees under this title may not directly provide such guarantees); (D) provide up to 50 percent of any down payment required from low- or moderate income homebuyer; or (E) pay reasonable closing costs (normally associated with the purchase of a home) incurred by low- or moderate-income homebuyers; and



Ineligible Activities

As per [24 CFR 570.207](#), IEDA will not fund the following activities through the program:

Ineligible Activities	
General government expenses	Expenses required to carry out the regular responsibilities of the unit of the general local government are not eligible for assistance.
Political activities	Grant funds cannot fund the use of facilities or equipment for political purposes or to engage in other partisan political activities, such as candidate forums, voter transportation, or voter registration.
Purchase of equipment	<p>The purchase of equipment with grant funds is generally ineligible.</p> <ul style="list-style-type: none"> Construction equipment: The purchase of construction equipment is ineligible, but compensation for the use of such equipment through leasing or depreciation is eligible. The purchase of construction equipment for use as part of a solid waste disposal facility is eligible. Furnishings and personal property: The purchase of equipment, fixtures, motor vehicles, furnishings, or other personal property, not an integral structural fixture is generally ineligible.
Operating and maintenance	<p>Any expense associated with repairing, operating or maintaining public facilities, improvements and services is ineligible. Examples of ineligible operating and maintenance expenses are:</p> <ul style="list-style-type: none"> Maintenance and repair of publicly owned streets, parks, playgrounds, water and sewer facilities, neighborhood facilities, senior centers, centers for persons with disability, parking and other public facilities and improvements. Payment of salaries for staff, utility costs, and similar expenses necessary for the operation of public works and facilities.

National Objectives

Low- to moderate-income (LMI) households specifically Low to Moderate Income Housing (LMH) national objective.

Infrastructure in support of housing national objective will be Low- to moderate-income area (LMA).

Disaster Tie-back

This program addresses the unmet needs tied to providing new resilient, affordable housing to improve the housing stock in the disaster-impacted MID areas. The newly constructed homes will be sold first to disaster-impacted households for the first four months. Developers will also market the homes to first-time home buyers to assist with the disaster’s impact on the rental community. The program is not restricted to first-time homebuyers.



Eligible Applicants

Units of general local government (UGLGs) and tribes are the eligible applicants for these funds. UGLGs and tribes will identify a developer on their applications to IowaGrants and enter into a development agreement AFTER a Release of Funds is achieved for awarded projects. Homebuyer assistance is also available to households purchasing the units.

Eligible Areas

Grant funding will be provided to:

- HUD-identified MID areas: Cherokee County, Clay County, Sioux County and Woodbury County
- Grantee-identified MID Areas: Lyon, Buena Vista, Dickenson, Osceola, and Pottawattamie counties

The HUD-identified MID areas will receive priority because 80% of the grant allocation needs to be spent in the HUD-identified MID areas.

Required Match

There is no required match for this program; however, additional consideration will be provided to those applications that demonstrate a greater degree of leveraged funds.

Second Homes

Individuals with an ownership interest in second homes are not eligible to be beneficiaries under this program. A second home is defined as a home that is not the primary residence of the owner, tenant, or any occupant at the time of the disaster or at the time of application for grant assistance. This program will not fund second homes, and all homes built must be the primary and sole residence of an LMI household. A homebuyer may have a loan co-signer, but not a co-borrower that does not also reside in the home and only have ownership interest in the grant funded home.

Exception Policy

IEDA will consider exceptions to the program guidelines on a case-by-case basis. All exceptions must be submitted in writing with the application and include a justification. Exceptions should enhance the benefit to LMI households or areas. Exceptions cannot violate federal, state, or local laws or regulations. Exceptions must still meet HUD's requirements of being necessary and reasonable, comply with federal accessibility standards, and accommodate a person with disabilities if applicable. A response will be authorized in writing to the applicant upon approval or denial of the application requesting an exception.

Subrecipients are encouraged to reach out to IEDA to discuss the exception to the program guidelines before submitting the request in writing.



Incentives

Incentives

Developer Incentives

Cities, counties and tribal governments within the disaster-affected area will apply to IEDA through a competitive application cycle. After the award, these entities will fund developers to build new homes.

Subrecipients will enter into a development agreement with a developer who maintains site control of the project site. A developer is a for-profit or nonprofit individual or entity that the grantee provides grant funding for the purpose of constructing new housing.

The developers will receive incentives that can be drawn down during construction.

All incentives are per unit. The incentives are as follows:

- **Housing Construction:** maximum assistance is **\$200,000 per unit**. The incentive will be used to assist with housing construction costs to keep the unit affordable. This is the main source of developer funding for this program.
- **Mitigation Construction:** maximum assistance is **\$25,000 per unit**. All construction must utilize building materials and methods that can better withstand storm events and mitigate against future natural disaster damage. However, if developers would like to install additional mitigation measures, developers can apply for an additional incentive. The Incentive is optional and will be used toward the purchase and installation of building materials. More information can be found in the Mitigation Section of these guidelines.
- **Infrastructure in Support of Housing Incentive:** maximum assistance is up to **\$90,000 or 35% per unit**. The incentive is optional and will be used to support the construction of infrastructure for the new housing development. More information about this incentive can be found in the Infrastructure in Support of Housing Section of these guidelines.

The developer incentives will be awarded as a grant, with 10% retainage held until an LMI-qualified buyer occupies the home.

Down Payment Assistance

Eligible low to moderate income (LMI) homebuyers can receive down payment assistance toward the purchase of the single-family units constructed as part of this program. The amount of assistance is **up to \$35,000 per homebuyer**. Eligible LMI buyers approved for a mortgage will have access to downpayment assistance up to 100% of lender required downpayment and applicable closing costs and/or principal write-down, interest rate subsidization, and assist in paying private mortgage insurance depending on underwriting and debt to income ratio analysis so as not to overly subsidize the purchase.

More information about this incentive can be found in the Homebuyer Section of these guidelines and the homebuyer guide in the appendix.



Application for Assistance

Application for Assistance

IEDA will open an application window for eligible applicants to apply to the program. Applications will be available on IowaGrants. The applications will be reviewed competitively and evaluated to ensure that the proposed projects meet the minimum criteria outlined in these Program Guidelines. If all funds are not obligated, future rounds will be established, at no less than one round per year, until the funds in this program are fully expended. After evaluation, the scoring will be forwarded onto IEDA leadership for the award. IEDA will identify awardees and notify selected and non-selected applicants in writing. Selected awardees will then enter into a grant agreement with IEDA that will formalize the conditions of the grant.

Citizen Participation

All applicants, including Units of Local Government and Subrecipients, must ensure meaningful access to program information and services for individuals with Limited English Proficiency (LEP) in accordance with Title VI of the Civil Rights Act of 1964 and HUD's LEP Guidance (72 FR 2732). This obligation is reinforced through IEDA's own planning documents. The State of Iowa Citizen Participation Plan, which is incorporated into the State's Consolidated Plan, requires that program materials and public hearings be made accessible to non-English speakers, including by providing translators and written translations upon request and ensuring that approved Consolidated Plan documents are available "in a manner accessible to non-English speakers or those with disabilities." In addition, IEDA maintains a formal Language Access Plan, which describes the reasonable steps required under HUD's LEP framework—such as the Four-Factor Analysis—and affirms that both IEDA and its subrecipients must provide meaningful language assistance so LEP individuals can access CDBG-funded programs and services.

Applicants may either adopt IEDA's Language Access Plan or develop their own HUD-compliant Language Access Plan that meets Title VI and Executive Order 13166 requirements.

- IEDA Citizen Participation Plan: <https://opportunityiowa.gov/media/6833/download?inline>
- IEDA Language Access Plan: <https://opportunityiowa.gov/media/6834/download?inline>

Public Hearing Requirement

According to the IEDA's Action Plan and Citizen Participation Plan, applicants are required to solicit public feedback on the projects for which they are applying for funding by holding a public hearing. According to Iowa Code 362.3, the notice of the public hearing should be published or posted for review no less than 4 days and no more than 20 days prior to the hearing. If awarded, applicants will be required to host an additional public hearing before closing out of the project. Public hearing notices must also use social media platforms to alert residents of public hearings.

Public hearings can be held in conjunction with other public meetings. The meeting notice should be posted in a newspaper of general circulation. The public hearing must include discussion of the following:



- How the need for the activities was identified;
- How the proposed activities will be funded and the sources of funds;
- The date the application will be submitted;
- The requested amount of federal funds;
- The estimated portion of federal funds that will benefit low-and moderate-income persons;
- Where the proposed activities will be conducted;
- Plans to minimize displacement and the unit of general local government's anti-displacement and relocation plans required under § 570.488;
- Plans to assist persons that are actually displaced; and
- The nature of the proposed activities.

Applicants will be required to provide proof of the public hearing in the application including:

- A copy of the Affidavit of Publication and a copy of the actual public hearing notice;
- Meeting minutes, including comments and responses;

During the project construction, the applicant must conduct at least one status of funded activities (SOFA) hearing that covers the following minimum points:

- A general description of accomplishments to date;
- A summary of funding of the proposed activity and sources of funds;
- A summary of expenditures to date;
- A general description of the remaining work;
- The location of the proposed activity;
- A general description of changes made to the project budget, performance targets, activity schedules, scope, location, objectives, or beneficiaries.

Housing Development Approach

Early Start - Buyer Pool ("ESBP") Model

IEDA will administer the Single Family New Construction Program using a Hybrid Early Start Buyer Pool Development Approach, which combines elements of both the Buyer Pool and Speculative construction models. This approach is designed to allow developers to initiate construction activities in a timely manner while maintaining the accountability, eligibility verification, and national objective compliance required for CDBG-DR funded housing activities.

Under the Hybrid Early Start Buyer Pool model, developers may commence certain preconstruction and construction activities after execution of the Grant Agreement and completion of the applicable environmental review, even if an income qualified purchaser has not yet executed a purchase agreement for a specific unit. However, continued construction progress, unit completion, and program reimbursement are contingent upon the developer's demonstrated compliance with Buyer Pool requirements, including active marketing, documented outreach, and the identification of income qualified, disaster impacted homebuyers



within established timeframes. This approach ensures that housing development can proceed without unnecessary delays while still requiring that all assisted units ultimately serve verified low to moderate-income (LMI) or disaster impacted households and meet all CDBGDR statutory and regulatory requirements.

Step 1: Conditional Early Construction Authorization

Following the a) Full execution of the Grant Agreement and b) Completion and approval of the environmental review, developers may begin site preparation, infrastructure installation, and vertical construction prior to execution of a purchase agreement, subject to the conditions outlined below. IEDA may limit the number of units authorized for early construction at any one time to mitigate market and compliance risk and to ensure alignment with anticipated Buyer Pool demand.

Step 2: Required Buyer Pool Development Activities (Concurrent with Construction)

While construction is underway, developers must actively implement Buyer Pool development activities consistent with the accountability standards of a Buyer Pool model. These activities include, but are not limited to:

- Submission and approval of a Marketing and Outreach Plan detailing:
 - Target populations;
 - Disaster impacted outreach strategies;
 - Affirmative marketing and fair housing compliance; and
 - Anticipated timelines for buyer identification.
- Conducting documented outreach efforts, including:
 - Advertising;
 - Community engagement;
 - Coordination with local governments, housing counselors, and disaster recovery partners.
- Hosting open house events or informational sessions once homes reach a stage suitable for public viewing.
- Maintaining a Buyer Pool list of interested households, including disaster impact status, application date, and income qualification status.

These activities must begin no later than a developer defined point approved by IEDA and must continue throughout the construction period until all units are under executed purchase agreements.

Step 3: Disaster Impacted Priority Marketing Period

Consistent with CDBGDR requirements, the Hybrid model includes a disaster impacted priority marketing window. Once marketing efforts formally commence, a four month disaster priority period will begin. During this period, only households that self certify and document disaster impact may be income qualified and approved for participation. Disaster impacted households



will receive the first opportunity to execute purchase agreements for available units. Marketing materials must include language substantially similar to:

“Households impacted by the July 2024 Disaster Event will receive the first opportunity to purchase these homes.” The grant administrator must receive sample marketing materials prior to or concurrent with distribution. A marketing plan is a required component of the application process. Applications without a marketing plan will not be scored.

Step 4: Purchase Agreement Milestones and Construction Limits

To maintain program accountability and minimize speculative risk, Developers must secure executed purchase agreements with income qualified, disaster impacted buyers no later than a defined construction milestone (e.g., prior to drywall, certificate of occupancy, or final draw—IEDA may specify). Additional requirements exist:

- Earnest money requirements may not exceed \$500;
- Income qualifications are valid for 12 months;

Failure to meet Buyer Pool milestones may result in:

- Suspension of further construction authorizations;
- Withholding of reimbursements for uncommitted units; or
- Other corrective actions as determined by IEDA.

Step 5: Post Priority Outreach and General LMI Buyers

If, after exhausting all approved disaster impacted applicants; and allowing at least 30 days for disaster impacted households to execute purchase agreements units remain available, Developers may extend outreach to income qualified LMI households from the general public. These applicants will be considered on a first come, first served basis. Approved LMI households must be given at least 30 days to execute a purchase agreement. All households must be approved by IEDA through the Housing Unit Verification process in IowaGrants prior to loan closing and occupancy.

Application Criteria

IEDA has selected funding criteria to best address the disaster-related unmet needs identified in each affected community and ensure timely project completion. A minimum threshold score will be established to ensure high-quality projects are selected. The criteria used to evaluate each competitive application and award funds will include:

- Applicant has an Active SAM.gov account and Unique Entity Identifier (UEI) #;
 - If awarded, SAM.gov account must be kept active throughout the life of the grant agreement.
- The application must demonstrate that the homes will be sold to LMI households.
- All costs must be used in for eligible activities
- All new units will be constructed outside of the HUD defined Federal Flood Risk Management Standard (FFRMS) Floodplain.



- All units will have access and connection to municipal utilities, including water, sewer and broadband. Projects dependent on wells and/or septic systems will not be eligible.
- Municipalities must demonstrate that the proposed units to be constructed can be supported by the existing water / sewer / stormwater utility infrastructure at the time of the application. If the Applicant is additionally seeking water / sewer / stormwater repairs via FEMA-PA or CDBG-DR funding, that construction must not be dependent upon constructing proposed housing units as a means to expand economic benefit beyond the replacement of list housing stock.
- The project will be located in one of the HUD- or grantee-identified MID areas.
- The development team has financial stability and demonstrates experience in housing development
- The project is ready to proceed, and the project schedule is detailed and feasible.
- The other sources of funding are well documented and make up a reasonable amount of the total project cost.
- The budget is comprehensive and reasonable for the project's scope.
- Evidence that each home will be constructed based on a set of blueprints.
- Evidence that the development team has someone on staff or a hired architect/engineer that will perform construction inspection activities.
- The designs and plans demonstrate that future hazards will be mitigated, and that recommendations provided in the IEDA design consultation were incorporated. The development team has experience with green and resilient building standards, and the National Green Building Standards (NGBS) are integrated into the design, including if they intend to comply with the U.S. Department of Energy Zero Energy Ready Homes program requirements and obtain certification.
- The applicant has a marketing plan in place to sell the units to eligible homebuyers

Required Application Documentation

To be scored, applications must include:

Standard CDBG Application Documents required for scoring:

- Notification of Funding Availability (NOFA):
 - Affidavit and Copy of Public Hearing Publication, Public Hearing Minutes with 9 Points, Resolution Authorizing the CDBG Application
- [HUD Form 2880 – Applicant Disclosures;](#)
- [HUD Form 424-B Federal Assurances form;](#)
- [Required Acknowledgement of Environmental Review Requirements; 2 CFR 200 Competition Certification of Compliance;](#)
- Community Development Housing Needs Assessment;
- Financial commitments document (includes terms for all non-CDBG funding sources).



Program-Specific Application Documents

- Documentation of request for Infrastructure in Support of Housing (if applicable)
- Documentation of request for Mitigation Incentive (if applicable)
- Map of project location;
- Floodplain Map;
- If the developer has site control, outline the current Site Zoning and an outline of any needed rezonings necessary – WITH a targeted schedule for implementation;
- Project Cost Estimates ;
- Support documentation for the project budget;
- Demonstration of the ability to obtain construction financing for the entire project;
- Project Design Documents (Site Plan, Rendering, Concept, etc.);
- DOB worksheet;
- Subrogation Agreement signed by the Applicant;
- Project timeline/ Gantt chart
- Marketing plan to sell the units, including outreach plan to LMI and underserved populations
- Project team identification

In addition to the above documentation, all fields in IowaGrants.gov application form must be completed. **Incomplete application will not be reviewed or scored.**

Project Team Identification

All projects will be required to submit a detail of the proposed project team with their application. The plan will indicate clearly who will be providing what supportive roles to the applicant. The details will include the designation of the project team, including their roles and responsibilities. All must be contractually established (except for municipal staff). These include, but not limited to:

- Chief Elected Official (CEO) – oversee City’s contractual obligations to the project and all project contractors / vendors
- Municipal Admin Lead – oversee the financial matters
- Local Counsel – represent the applicant interests for all contractual / acquisition matters
- Municipal Utilities – If the Applicant has a separate municipal utility provider, distinct from the UGLG’s departmental staff, that entity **MUST** be part of the project team and demonstrated to be part of project planning and implementation.
- Grant Administrator – oversee all state / federal funding compliance elements that apply to the project, IowaGrants data entry, City team liaison
- Architect/Engineer:
 - Develop plans and assure that contractor builds to plans ;
 - Must be a procured licensed professional to work in the State of Iowa;



- Labor Compliance Officer – GA-designated member that reviews payrolls and completes interviews
- General Contractor – ensure the GC and subs adhere to contract scope / schedule / budget as cited in bids / quotes
- ***For Housing Projects, the following will be included:***
 - Housing Inspector – performs final inspection prior to sale
 - Project Manager – overall coordination of the project, can be UGLG staff, the CGA entity under a distinct contract from GA duties, architect/engineer or, or outside entity;
 - Developer - oversee the planning, financing, and execution of new housing construction in accordance with program requirements
 - Property Owners - Cooperate with city and project team to ensure timely project completion

Roles and Responsibilities

IEDA Responsibilities

As the CDBG-DR grantee, IEDA is responsible for ensuring program compliance and providing oversight throughout the homebuyer assistance process. In carrying out these responsibilities, IEDA will:

- Review homebuyers' Duplication of Benefits (DOB) documentation to confirm that no duplication exists before assistance is awarded.
- Verify underwriting materials, including income eligibility and the amount of assistance requested.
- Approve final homebuyer eligibility determinations and authorize the amount and terms of direct assistance provided.
- Disburse CDBG-DR funds to developers for the construction of program-funded housing units.
- Provide required program forms, such as sample Purchase and Sale Agreements and any necessary addenda.
- Issue guidance on setting and adjusting sale prices, ensuring consistency with federal and program requirements.
- Review and resolve grievances or appeals submitted through the program's established process.

Subrecipient Responsibilities

Subrecipients are responsible for managing program activities, ensuring compliance with federal and state requirements, and overseeing developers to ensure successful delivery of eligible housing units. Subrecipient responsibilities include:

- Procure and contract with a qualified developer through an RFP process.
- Execute a development agreement incorporating IEDA requirements and milestones.



- Serve as the Responsible Entity (RE) for environmental review compliance under 24 CFR Part 58.
- Contract with an IEDA-certified Grant Administrator (CGA) or eligible COG for project delivery.
- Submit all required reporting, claims, and documentation through Iowa Grants.
- Ensure compliance with federal requirements (Section 3, Davis-Bacon, URA, Fair Housing, Civil Rights).
- Conduct required public hearings (NOFA and SOFA) and maintain documentation.
- Verify that constructed units meet program standards and are sold to qualified LMI buyers.
- Maintain financial records, internal controls, and procurement files consistent with 2 CFR 200.
- Support IEDA in homebuyer eligibility review and closing documentation.

Developer Responsibilities

As part of the program, developers play a key role in constructing program-funded housing units. They are selected by subrecipients and receive funding through them, while ensuring compliance with program requirements and supporting homebuyers throughout the process. Developers will:

- Maintain site control and provide required design documents, plans, and specifications.
- Construct homes in compliance with local/Iowa building code, NGBS Silver minimum, and mitigation requirements.
- Demonstrate and maintain construction financing prior to reimbursement.
- Submit standardized payment applications (AIA/EJCDC or equivalent) with required cost documentation.
- Market units following the Buyer Pool Approach, prioritizing disaster-impacted households for four months.
- Coordinate with the Grant Administrator on homebuyer intake, purchase agreements, and eligibility steps.
- Ensure units pass all inspections before sale and provide required warranty materials.
- Comply with federal labor standards, fair housing requirements, and all program rules.
- Maintain accurate records and provide documentation for IEDA monitoring and project closeout.

Homebuyer Responsibilities

Homebuyers receive assistance through the program as forgivable mortgage. To ensure eligibility and maintain compliance with program requirements, homebuyers must:

- Complete the homebuyer application and provide all required documentation.
- Submit income verification materials and respond to requests for additional information.



- Disclose all sources of assistance to support the Duplication of Benefits (DOB) review and update IEDA if additional sources are awarded after closing.
- Obtain an eligible first mortgage product that meets program requirements.
- Participate in the Buyer Pool Approach process, including required purchase agreements and earnest money (if applicable).
- Cooperate with the subrecipient, developer, and IEDA during underwriting and eligibility review.
- Use the property as their primary residence for the required occupancy period.
- Comply with the terms of the forgivable mortgage and affordability restrictions.
- Notify the subrecipient/IEDA of any changes in occupancy, refinancing requests, or plans to sell the home.
- Provide required documentation at closing and throughout the affordability period (e.g., proof of occupancy upon request).

Project Costs

Any contingencies proposed in the application budget must be at least 10% but may not exceed 15%. As contingencies turn into project costs, they will need to be supported with documentation to be claimed. The developer fee proposed in the application budget may not exceed 10% profit. Contractors' and sub-contractors' profits must be capped at 10% profit. The grant administrators' Project Delivery fees will not exceed 10%.

Prior to the obligation of funds by IEDA for construction, developers will demonstrate that the engineering co-design for a project is feasible.

Grant funds are made on a reimbursement basis and therefore, project sponsors and/or their contracted developers must have project financing for the project to pay vendors and other expenses prior to being reimbursed by IEDA. Therefore, IEDA will require the applicants to demonstrate full financing and submit supporting documentation for estimated project costs prior to release of funds.

For construction projects, all trades will utilize the AIA, EJCDC, or equivalent standard Payment Applications forms for submitting costs with direct/indirect costs clearly indicated under the "general conditions" or "mobilization" pay item. IEDA will also provide a payment application template upon request.

Developer Selection

Applicants will be able to select the developers they choose to work with; a request for proposals (RFP) process is required. Along with a list of required qualifications, applicants should also include the proposed developer agreement in the RFP, such that terms and conditions of the grant funding requirements are made clear. Part of the developer agreement will be the incorporation of the project milestones and the IEDA grant agreement period of performance. Applicants are reminded that the selected developer cannot be a developer/contractor on another funded project, without the consent of IEDA, due to capacity



concerns. Any vendors who work in conjunction with the developers must disclose their ownership structure and partners to demonstrate transparency for conflict-of-interest avoidance and arms-length separation of legal entities. Vendors shall not have more than one business concern under the same project.

Project Delivery

Grant Administrators

In order to implement projects effectively, subrecipients are required to utilize IEDA Certified Grant Administrators. The costs associated with implementing projects is called project delivery. IEDA will only award applications with a Grant Administrator (GA) identified to perform **project delivery** services on the behalf of the Applicant / Subrecipient team. All GA's performing any activity on a project must comply [with IEDA's Certified Grant Administrator \("CGA"\) Policy](#). All Applicants will be required to contract with a GA that appears on IEDA's CGA list; if the proposed GA is not in the CGA Program, then they must first contact IEDA to be read into the program rules and enter the training cycle for certification.

Iowa law permits local governments to obtain services from a Council of Governments through a Chapter 28E intergovernmental agreement, which is not subject to competitive procurement requirements applicable to private vendors. (<https://www.legis.iowa.gov/docs/ico/chapter/28E.pdf>).

The GA working with the project will be required to maintain an active IEDA Certified Grant Administrator certification. The GA will provide a lump sum estimate for administration in the application for funding. Administration must be substantiated by documentation of costs incurred.

The GA should provide to the Applicant a list of all team members that will participate in the project, and include this in the application, as noted in the Required Application Documents. This list should specifically list individuals that will perform critical cross-cutting functions, such as Environmental Review, Procurement, Federal Labor Standards, Section 3 Reporting, etc.

If a member of a for-profit consulting firm: the proposed CGA must demonstrate that they are NOT performing roles of a design professional (e.g., the project Architect / Engineer of record) and must have a distinct contract for grant administration / project delivery duties apart from any other services – this ensures that an entity is not self-performing compliance checks against itself. If extenuating circumstances are experienced by a Subrecipient in acquiring a CGA, the Subrecipient may formally request a waiver

A full description of anticipated duties and responsibilities of the GA can be found in the CDBG Management Guide. **The maximum reimbursable cost for administrative cost is not to exceed 10% total grant award.**

Eligible Project Delivery Activities

Eligible Activity Delivery Costs include, but are not limited to, the following when performed for a specific CDBG-DR assisted project:



- **Grant Administrators:**
 - Project-specific environmental review activities under 24 CFR Part 58, including site assessments, statutory checklists, agency consultations, and SHPO/THPO coordination.
 - Income surveys and beneficiary documentation required to establish national objective compliance.
 - Preparing and submitting reimbursement requests with supporting documentation in accordance with 2 CFR Part 200;
 - Ensuring Activity compliance with procurement standards, civil rights requirements, fair housing, Federal Labor Standards, Section 3, and other cross-cutting requirements under 24 CFR Part 570;
 - On-site inspections, construction monitoring, and compliance reviews necessary to implement the activity;
 - Activity-level financial management, including invoice review, payment verification, and expenditure tracking;
 - Establishing and maintaining required grant files, policies, records, and reporting systems pursuant to 24 CFR 570.503(b);
- **Other Consultants** (such as archaeologist, architects, engineers, if contracted directly to the Applicant):
 - Consultant or professional services retained solely to carry out tasks specific to the funded activity;
 - Project-specific procurement, bidding, and contracting support;
 - Preparation of bid packages, contractor coordination, and procurement compliance activities in accordance with 2 CFR 200.317–200.327 (typically performed by the Architect or Engineer of Record);
 - Housing program technical services, including inspections, code compliance reviews, construction oversight, and project-specific management;
 - Demolition oversight, appraisal coordination, code inspections, lien development, and participation in mortgage or closing activities associated with housing programs;
 - Preparation and maintenance of activity-specific documentation required to demonstrate eligibility, compliance, and reimbursement allowability;

Reminder: Architects / Engineers contracted by the Developer will be billed under the Developers agreement.

All Project Delivery costs must be reasonable, necessary, and directly attributable to the specific CDBG-DR activity being carried out and must be adequately documented to support reimbursement. Please see [IEDA's Training Resources website](#) for more details.

Contract Requirements

To maintain program integrity and ensure proper cost classification, any Council of Governments (COG) or consultant performing CGA services, along with other project delivery



activities, must have a scope of work that clearly reflects activity-level implementation responsibilities. Where a single entity performs multiple functions, contracts must ensure that:

- Project / Activity Delivery tasks are clearly defined and separately identifiable, and
- Invoicing aligns with specific activities or projects, rather than general grant management.

IEDA generally does not require separate contracts for CGA activities and other Project Delivery roles, provided that the contract clearly demonstrates that reimbursed costs are tied to activity-level delivery. However, distinct contracts for CGA and any other Project Delivery activities is preferred.

Project Delivery Contract Requirements

To maintain program integrity and ensure proper cost classification, any Council of Governments (COG) or consultant performing Project / Activity Delivery services must have a scope of work that clearly reflects activity-level implementation responsibilities, not grant-wide administration.

Where a single entity performs multiple functions, contracts must ensure that:

- Project / Activity Delivery tasks are clearly defined and separately identifiable, and
- Invoicing aligns with specific activities or projects, rather than general grant management.

IEDA generally does not require separate contracts for Grant Administration and Project Delivery in CDBG-DR, provided that the contract clearly demonstrates that reimbursed costs are tied to activity-level delivery.

Project Delivery Documentation and Reimbursement

Project Delivery costs must be:

1. Identified separately from general program administration or other consultants Project Delivery fees in the application and resulting contracts;
2. Supported with detailed documentation demonstrating that the cost is directly tied to a specific eligible project activity; and
3. Allocated only to the project benefiting from the work.

There is no HUD or IEDA-defined cap on Project Delivery costs; however, all CGA fees are capped at 10% and all costs must comply with federal cost principles (2 CFR 200) and IEDA may review for cost reasonableness.

A full list of examples, documentation requirements, and cost allocation guidance is provided in the CDBG Management Guide.



Application for Assistance

Applicant Selection

Scoring

IEDA will rank applications based on the composite score generated by IEDA review staff. The State will use the scores, in part, to rank projects, but reserves the right to allocate funds to projects that meet the State's ultimate program objectives. Program requirements, such as the Low/Mod area benefit and those projects within the HUD-Mid areas, are prioritized through scoring criteria and will factor into final funding determinations. In the event that demand exceeds the amount of funds available, those projects with the greatest need and effectiveness will be recommended for funding.

Threshold Criteria:

- Evidence homes will be sold to LMI households
- Applicant has an Active SAM.gov account and Unique Entity Identifier (UEI) #;
- NOFA Public Hearing Minutes are complete with the 9 elements;
- The project will be located in one of the HUD- or grantee-identified MID areas
- All units will be constructed outside the FFRMS Floodplain areas;
- All units will have access and connection to municipal utilities, including water, sewer and broadband (projects dependent on wells and/or septic systems will not be eligible);
- Project Budget is correct & grant amount requested does not exceed the program cap;
- Grant Administration /Project Delivery fees do not exceed program cap;
- Required Uploads are provided and completed, as determined by IEDA;
- The development team has capacity to complete the proposed project;
- The proposed plans meet the NGBS Silver certification;
- HUD Forms 2880 Applicant Disclosures, HUD Form 424-B Federal Assurances form, 2 CFR 200 competition Certification of Compliance have been submitted.
- The Acknowledgement of Environmental Review Requirements has been submitted
- The Community Development & Housing Needs Assessment has been completed

Scored Criteria:

- Degree to which the project is ready to proceed;
- Degree to which the project can be completed in a timely manner;
- Magnitude of need for the project;
- Degree of other sources of funding are well documented and / or local match inclusion;
- Degree of budget comprehensiveness and reasonableness for the project scope;
- The designs and plans demonstrate that future hazards will be mitigated
- Degree to which project furthers infill and/or orderly development;
- Degree of development team experience with similar projects;
- The level of development of provided plans, renderings & Specifications;



- Required mitigation features;
- Description of additional mitigation features to justify additional mitigation construction incentive (if applicable)
- Degree of development team experience with NGBS green building standards;
- Do the plans propose to exceed the NGBS Silver Certification standard?
- If IEDA was consulted for design review, were any suggested changes applied?
- Degree of impact the activity will have on the identified need and the standard of living or quality of life of the proposed beneficiaries;

NOTE: IEDA strongly recommends reaching out to schedule a consultation regarding the Section 106, environmental review procedures and the proposed design, to ensure that the Applicant team is well aware of all program requirements and any risks or limitations that can be identified and resolved prior to a formal submission!

Award

Notice of Award

Once award amounts are determined, IEDA will notify successful applicants which is a preliminary offer and any supplemental information required prior to entering into a grant agreement. Execution of a grant is contingent on both parties' agreement of the terms and conditions, including project scope, budget, state and federal construction and financial rules and regulations, and timeliness, and other program details described in greater detail in this guidelines document. Awards will be considered final upon receipt of a signed grant agreement between IEDA and the applicant. Prior to an award, a duplication of benefits review will take place as well as a determination of cost reasonableness and verification that the award will not supplant funding for the project from other sources.

Supplanting Funds

Under the program, grantees must use federal funds to supplement—not supplant—existing financial resources. Specifically, 24 CFR § 570.200 et seq. clearly prohibits substituting grant dollars for local, state, or federal funds that are already obligated or budgeted. HUD's Office of Inspector General has emphasized that CDBG-DR was never intended to fund activities that jurisdictions are already required to underwrite through their own budget authority. Instead, supplanting violates the program's intent to add capacity to meet unmet community needs—an expectation reinforced in HUD CPD Notices and FAQs for both regular CDBG and CDBG-DR programs.

These include City, County, FEMA, State, and U.S. Army Corps of Engineers (USACE) funding. IEDA will verify that grant funds will not be used for activities reimbursable by, or for which funds are made available by, FEMA or USACE.

Applicants must document the need for grant funds, showing that proposed activities wouldn't proceed absent federal assistance, and demonstrate adherence to a "maintenance of effort" standard rooted in the Housing and Community Development Act and HUD policy. IEDA will



require Applicants to certify that the grant funds will not supplant other available funding that has been budgeted or in the case of FEMA and USACE made available to the Applicant.

Cost Reasonableness

All projects must be cost reasonable. IEDA will determine project cost reasonableness through the competitive application comparison, review, and selection processes and may obtain third-party verification on a case-by-case basis. As such, application budgets must be thorough and accurate for evaluation.

Appeals

All appeal requests related to program activities are processed and reviewed by IEDA. An initial review of the appeal will be conducted by a panel made up of IEDA staff. This staff is independent from the group that originally made the decision being appealed. Each appeal will be reviewed against program policies and requirements. The panel will make a recommendation to IEDA Leadership which will approve the final selection. Appeal requests to IEDA must be postmarked within 10 calendar days of the date of service on the original correspondence communicating the decision to be appealed. Appeals must be submitted in writing to:

Iowa Economic Development Authority
1963 Bell Ave., Suite 200
Des Moines, IA 50315
Disaster@IowaEDA.com

The applicant's written request should contain the following information:

- Applicant's name;
- Applicant's mailing address;
- Applicant's telephone number;
- Email address (if available);
- The reason(s) the decision or action is being appealed;
- Documentation that supports the request to overturn the decision;

If appropriate, IEDA may contact the applicant to allow the applicant to provide additional documents to address any deficiency or incomplete information, or to be interviewed to determine the merits of the applicant's appeal. If the action or decision is overturned, notification will specify the corrective action to be taken. The applicant shall be notified of the final determination via Correspondence in Iowa Grants and in writing via certified mail.



Grant Agreement

Grant Agreement

Terms and Conditions

A written grant agreement will be provided to the subrecipient before any disbursement of grant funds. At a minimum, the agreement will include the following provisions (in accordance with [24 CFR 570.503\(b\)](#)):

- Statement of Work, detailing the activities to be completed
- Period of performance
- Milestones with Timelines
- Budget
- Record and Reports Requirements
- Program Income Guidance
- Suspension and Termination Rules
- Recapture of Funds Guidance
- Prohibition of Religious Activities
- Uniform Administrative Requirements to comply with federal and financial standards

Post Award First Steps

All funded projects will be required to comply with all federal and state requirements. By signing the federal assurances, the Applicant – now a ‘Subrecipient’ from IEDA (city, county, or tribe) acknowledges and accepts these requirements. By passing a resolution of support and executing a contract with IEDA, the subrecipient assumes the responsibility of enforcing these requirements as the HUD-designated Responsible Entity (RE) in accordance with 24 CFR Part 58.

The following steps will be required after award:

- IEDA will enter into a contract with the UGLG for the award amount;
- The Subrecipient will enter into a contract for grant administration / project delivery;
- The Subrecipient completes all necessary Environmental Review compliance steps;
- Release of Funds will be issued by IEDA;
- IEDA evaluates subrecipient vendor contracts prior to execution for eligible costs;
- The Subrecipient will provide any stipulated pre-construction deliverable prior to incurring construction costs;
- The developer will get site control within 90 days of award

Section 106

Section 106 of the National Historic Preservation Act of 1966 (NHPA) outlines the process of identifying and assessing the potential effects of a federal undertaking on historic and archaeological resources. The process consists of four steps:



- Initiating the Section 106 process
- Identifying and evaluating historic properties
- Assessing the undertaking's effects on historic properties
- Resolving adverse effects to historic properties

The first step is to review the Programmatic Agreement IEDA has with the SHPO. It is available in the CDBG Management Guide on the IEDA website. It will list if the project is programmatically excluded from review or must complete a full Section 106 Review. If a full Section 106 Review is necessary, follow the steps as outlined in the CDBG Management Guide.

It is important to initiate the Section 106 process early as it can take a great deal of time if a full Section 106 Review is necessary, and the project will have an impact on historic properties. The length and intensity of the Section 106 process will be dictated by site-specific circumstances, and there is no easy fix for Section 106 issues if they pop up. The sooner the Section 106 process is complete, the easier it will be to form a reasonable timeline for the rest of the environmental review period.

An applicant may have site control only through a non-binding, contingent form of control—such as an option-to-purchase agreement with nominal consideration, explicitly conditioned on completion of the environmental review—without violating the “choice-limiting actions” prohibition under 24 CFR 58.22. Applicants may NOT hold binding purchase contracts, undertake acquisition, construction, rehabilitation, or any action that commits the project to a site before environmental clearance.

Note: If you have questions or concerns regarding the section 106 process or surrounding choice limit actions, please reach out to IEDA for consultation before proceeding. Choice limiting actions can lead to site ineligibility.

Release of Funds

Before Release of Funds can be issued by IEDA, an environmental review process in accordance with the National Environmental Policy Act (NEPA) must take place to ensure compliance with all federal and state laws and regulations. The timeline for this will generally take 4-6 months, but the specific timeline will be dependent on-site conditions. Once the environmental review checklist is complete, it will be submitted to IowaGrants.

Throughout the environmental review, no choice-limiting actions can be committed by the Subrecipient or its partners. These include actions to commit or spend grant or non-grant funds for activities including but not limited to:

- Purchase of property or structures (including executing an option agreement);
- Bidding (or advertisement of bids);
- Signing construction contracts of any kind;
- Construction, demolition, rehabilitation, repair, conversion, site improvements, and any phase of construction activities;



- Platting and rezoning land (can work on preliminary plats and rezoning needs);
- Apply for building permits;

A description of the environmental review process can be found in the CDBG Management Guide.

Amendments and Extensions

Should any legitimate program additions or deletions be required, IEDA may modify the terms of the subrecipient grant agreement upon review of the formal request. Subrecipients may request a grant amendment to extend the period of performance, for scope changes, or for budget changes that affect the grant award. IEDA will review the submission and determine whether a grant amendment is warranted. Subrecipients must submit the request for a grant amendment as soon as the need is identified.



Implementation

Implementation

Timeliness and Project Completion

All IEDA contract awards have a standard three-year period of performance. IEDA has developed projections based on each quarter's expected performance. The project manager will also determine if the delays in spending or the completion of deliverables/tasks can potentially result in a negative impact on the project by conducting Risk Assessments on, not less than, an annual basis. If the discrepancy in spending or progress is deemed reasonable, the project manager will continue to monitor the expenditure rate.

If the project manager has concerns about the spending discrepancy or the status of project deliverables/tasks, or the recipient has reported a spending discrepancy for 2 consecutive years, the project manager will confer with the CDBG Team Lead for the next steps according to the Risk Assessment and Monitoring Policies. One of the following actions will be taken:

- Annual spending projections will be amended;
- Project manager will continue to monitor the project status and implement technical assistance as required;
- A meeting with subrecipient and grant administrator will be held and subrecipient will submit a revised quarterly budget projection and/or a plan to overcome progress delay or other remedies as required;
- Terminate the agreement;

Claims

IEDA will reimburse funds in the form of a grant for actual costs incurred. The grant agreements and documents incorporated by reference will explain the roles and responsibilities, identify the project(s) to be funded with grant funds, the total budget, the grant milestones, and the requirements for the use of grant funds.

Claims for reimbursement will be submitted by the subrecipient's Certified Grant Administrator (CGA) via the online IowaGrants system. The subrecipient shall maintain a file of all claim-supporting documentation including claim documents, invoices and payments. NO claim will be processed if the following conditions are present:

- Proof of payment is not present;
- A Contractor Clearance does not exist for vendors included in the Claim;
- Any required compliance reporting is not present or up to date;

Claims are due within 6 months of the grant agreement execution, and every 90 days thereafter. Projects that experience protracted Release of Funds will be addressed on a case-by-case basis. As a standard, the IEDA Project Manager will notify the Subrecipient if payment is withheld due to delinquent reporting of any kind. Once funds requests are approved by project staff, IEDA Fiscal sends payment to each subrecipient ACH. Per the Subrecipient Agreement,



the final Claim will be submitted within 30 days prior to the grant agreement period of performance end date.

All construction trades will utilize the AIA, EJCDC or equivalent standard form of Payment Applications for submitting costs with direct/indirect costs clearly indicated under the “general conditions” or “mobilization” pay item. IEDA will also provide a payment application template upon request

Retainage

IEDA will withhold all final claims until vendors are shown to be paid in full, and compliance documents and reports are provided. As such, the subrecipient shall retain 10% of all contract values as retainage until 100% of all Work defined in the contractors’ scope is completed and the Grant Administrator has acquired all compliance documents, reports, releases of liens from the participating contractors. Once the Grant Administrator and IEDA have affirmed the vendor contracts are satisfied, proof of payment is provided, compliance elements are resolved and the National Objective is met, IEDA will process the final claims. IEDA reserves the right to lessen retainage on a case-by-case basis.

Recapture of Funds

Grantees must be aware that CDBG-DR funds may need to be recaptured—or redirected—when issues arise such as duplication of benefits, ineligible costs, or noncompliance with HUD regulations. Under HUD policy and regulations at 24 CFR § 570.200(k) and § 570.480(h), unused or misspent funds must be returned to the state or federal line of credit rather than used for other activities. HUD’s CPD memorandum "Methods for Returning Community Development Block Grant Funds" clarifies that these recapture actions ensure federal dollars remain properly allocated and safeguarded. For example, if a project receives overlapping federal assistance—resulting in a duplication of benefits—or if a subrecipient spends grant funds on unapproved costs, IEDA is required to reduce or recapture funding. In such cases, IEDA staff will work with the subrecipient to reconcile any overpayment or eligibility issues before formally requesting repayment. No project may be closed out until all recaptured funds have been fully returned and formally affirmed in writing by IEDA. Recapture also occurs for violations to the affordability period and other violations.

Program Income

Program income is the gross income received by IEDA or any of its Subrecipients that is directly generated from the use of grant funds. Information regarding how program income may be generated and used is available at 24 CFR 570.489 and 24 CFR 570.504, as well as on HUD’s website. Unless otherwise agreed to in a signed amendment to this Contract, proceeds generated from the use of grant funds are considered program income when the total amount of any CDBG-DR program income received by the Subrecipient in a fiscal year exceeds \$35,000, at which time the entire \$35,000 and excess are considered program income. Program income received by the Subrecipient shall be returned to IEDA.



Building Codes

All units shall be designed and constructed in accordance with all locally adopted and enforced building codes and standards. In the absence of locally adopted or enforced building codes and standards, the requirements of the current Iowa State Building Code shall apply.

The designated Housing Inspector in conjunction with the architect will oversee compliance with building codes. All homes or buildings are required to have a basement of FEMA certified safe room that can accommodate all residents.

Green Building Standard

IEDA requires at a minimum the ICC-700-2025 National Green Building Standard (NGBS) Silver rating for all new construction. Additional points will be awarded for applications that demonstrate a higher certification of the NGBS. The NGBS includes universal design, which ensures access to the units for persons with mobility, hearing, or vision impairments. Any exceptions to universal design granted under this program will not reduce the total number of universally-design multifamily units below the federal requirements.

Radon Testing Requirements

According to CPD Notice: 23-103, the U.S Housing and Urban Development (HUD) clarified that under 24 CFR 58.5(i)(2)(i) and (ii), all properties proposed for use in HUD programs must be free of hazardous materials such as radon gas, contamination, toxic chemicals and gases, and radioactive substances that could pose a hazard to the health and safety of occupants or interfere with the intended use of the property. The environmental review process, whether falling under Categorically Excluded Subject to 58.5 ("CEST"), Environmental Assessment ("EA"), or Environmental Impact Statements ("EIS"), may not be considered complete until radon evaluation is performed as part of the site contamination analysis. The environmental review process is concluded only when a determination of whether the project site is impacted by radon, and where applicable, mitigation of radon or application of an exemption is documented in the Environmental Review Report (ERR).

Radon testing and mitigation are required for those projects that meet the following criteria:

- those with a confirmed environmental review level of Categorically Excluded Subject to 58.5 ("CEST"), Environmental Assessment ("EA"), or
- Environmental Impact Statements ("EIS"), and for CDBG projects involving a structure that is occupied or intended to be occupied for at least four (4) continuous hours a day.

This requires that all Housing projects are required to conduct a Section 106 Review.

A complete Section 106 form is required when the radon level is found to exceed the 4 pCi/L (picocuries) limit. If the radon level were below the required limit for mitigation, a Section 106 form is still required; however, you are only required to complete the PA form as "Exempt".

The cost of testing (admin) and mitigation (part of the overall construction expense) are eligible program costs



Prior to Sale

Prior to the sale of the units:

- All infrastructure will be in place and operational;
- All homes will be inspected and signed off for unit quality by Codes / Housing Inspector;
- All site work will be completed;
- Mortgage Agreement/Loan Documentation must be reviewed by IEDA;
- The Grant Administrator will verify income eligibility for all low-to moderate-income (LMI) homebuyers prior to the execution of any Agreements or loan documents and prior to closing. Homeownership cannot proceed until income eligibility has been fully reviewed and approved by IEDA.

Homebuyers throughout the buying process will be informed of their ability to contact the subrecipient or IEDA in the event of addressing poor quality of work and any associated issues. The units will be inspected before sale and the subrecipients and IEDA will monitor the developer throughout the building process to be sure there is not evidence of contractor fraud.

Mitigation Measures & Mitigation Construction Incentive

Mitigation Measures

This program will provide high-quality, durable, resilient, mold-resistant, energy-efficient, decent, safe, sanitary housing. Mitigations measures may include, but are not restricted to:

- Using flood resistant nonporous flooring materials;
- Adding waterproof veneer to foundation, exterior walls, windows and doorways;
- Elevating the home foundation and sealing cracks;
- Enhancing drainage systems (e.g., installing backflow valves);
- Installing flood barriers (e.g., floodgates or flood panels) ;
- Incorporating new wind resistant features or FEMA-compliant storm shelters;
- Using mold-resistant products;

All new construction work will be designed to incorporate appropriate mitigation measures to withstand damage against the impact of future disasters.

Certain projects may be funded with the Mitigation Set-Aside allocation. These projects will address a mitigation need, like flooding and wind, identified in the mitigation needs assessment for the MID areas.

In order for a project to meet the requirements to be funded with mitigation set-aside funding the project must:

- Meet the definition of mitigation activities - activities that increase resilience to disasters and reduce or eliminate the long-term risk of loss of life, injury, damage to and loss of property, and suffering and hardship, by lessening the impact of future disasters



- Address the current and future risks as identified in the mitigation needs assessment in the Action Plan
- Be an eligible activity as listed in this policy
- Align with existing hazard mitigation plans submitted to the Federal Emergency Management Agency (FEMA) or other state, local, or tribal hazard mitigation or long-term recovery plans.

Mitigation Incentive

In addition to the developer incentive, a mitigation incentive is also available. The amount of subsidy is listed in the Maximum Award section of this document. The incentive is to increase the housing units' resilience above and beyond the required mitigation measures. The incentive will boost the already designed features that will help the home withstand future natural disasters. Funding will only be available to mitigate against disasters identified in the applicant county's Hazard Mitigation Plan.

Infrastructure in Support of Housing Incentive

'Infrastructure in Support of Housing' incentives can only be claimed when used in support of public infrastructure to support the specific single family construction. The public infrastructure must be owned and maintained by the city/county/tribe through either the transfer of ownership or another legal agreement. Additionally, the incentive cannot be used to increase the communities' treatment works capacity; it can only be used to extend the water, sewer or other utilities piping and appurtenances to the development site. Regardless of whether grant funds are used to support infrastructure for the housing units, all water and sewer infrastructure must be in place before housing unit construction can begin.

Public infrastructure must be accessible to the general public and serve a delineated service area.

No utilities on private property will be considered public infrastructure (e.g., service lines from the right-of-way into the housing unit). Examples of public infrastructure include but are not limited to:

- Streets
- Street curbs and gutters
- Street trees
- Access roads
- Bridges
- Sidewalks
- Multi-use paths/trails
- Water lines and supporting infrastructure
- Sewer lines and supporting Infrastructure
- Stormwater lines and supporting infrastructure
- Electric, gas, and broadband lines



In addition to publicly owned utilities, assistance to non-profit or for-profit privately owned utilities is allowable. If assisted, the privately owned utilities must comply with the following:

- The funded activity must comply with applicable CDBG–DR requirements.
- That the activity prioritizes activities that will benefit areas where at least 51 percent of the residents are LMI persons and demonstrate how assisting the private, for-profit utility will benefit those areas.
- The level of assistance provided to a private, for-profit utility addresses only the actual identified needs of the utility.
- The level of assistance to a private, for-profit utility, based on the business’s financial capacity, in order to ensure that assistance is based on actual identified need.

For all applications that require the construction of infrastructure in support of housing, the applicant will provide a line-item request for each infrastructure item based on anticipated costs of construction, provide support documentation for these costs, and demonstrate that funding is not available through other existing federal, state, or local programs (e.g. TIF, DOT, general fund, etc.). All infrastructure in support of housing is subject to federal labor standards, Davis Bacon prevailing wage compliance and any other applicable state and local public works requirements. Infrastructure contracts must be separate from housing contracts.

Infrastructure in support of housing is available to both the owner-occupied and rental new housing construction programs. Higher scoring applications in both programs will receive the first opportunity to access these funds based on a demonstration of need.

The amount of subsidy available can be found in the Maximum Award section.

Higher scoring applications in both programs will receive the first opportunity to access these funds based on a demonstration of need. All infrastructure in support of housing construction is subject to Davis Bacon if it exceeds \$2,000 in funds. Infrastructure in support of housing that is constructed by a developer is exempt from procurement. Infrastructure in support of housing that is constructed by the subrecipient is subject to procurement. Any construction contracts procured through awarded projects must comply with the Bonding Requirements.

Forgivable Mortgages & Period of Affordability

Down Payment Assistance Forgivable Mortgage

Eligible LMI buyers approved for a mortgage will have access to downpayment assistance up to 100% of lender required downpayment and applicable closing costs and/or principal write-down, interest rate subsidization, and assist in paying private mortgage insurance depending on underwriting and debt to income ratio analysis so as not to overly subsidize the purchase. This incentive will be filed as a forgivable mortgage on a monthly receding basis for 5 years and subject to recapture if the LMI buyer transfers, sells, vacates, or abandons the property during the 5-year period, unless IEDA provides approval in advance of the transfer.



All housing units built must be marketed to households impacted by the 2024 disaster event for four months before being offered to eligible members of the public. Impact includes but is not limited to: property damage, property loss, displacement, buyout, loss of business, loss of employment, economic loss, commute time to employment or childcare significantly increased due to disaster impact, physical or mental health issues related to the disaster, etc.

Developers will also need to market first-time homebuyers to assist with the disaster impact on the rental community but will not restrict the program to first-time homebuyers.

All housing units must be sold to Low to Moderate Income (LMI) households. These are households that make at or below 80% of the area median income of the county in which the housing unit is built. Income verifications must be completed in accordance with 24 CFR 5.609 (Part 5 Annual Income). Income verifications are valid for 12 months from the date verification is completed.

Homebuyer assistance will only be provided for mortgages with a term of 33 years or less. No balloon payment loans are eligible. No private loans are eligible. Homebuyers should apply for State and local homebuying assistance programs (e.g., Iowa Finance Authority programs) before applying for CDBG-DR assistance to avoid a Duplication of Benefit.

IEDA encourages the use of USDA Section 502 Direct Loans, which tend to offer lower interest rates and no required down payment for LMI buyers.

CDBG-DR Subsidy Forgivable Mortgage

The CDBG-DR Subsidy loan will fund the gap between an affordable mortgage for the homebuyer and the maximum sale price (listed below). This loan will be subordinate to buyer's first mortgage and the down payment assistance loan. The loan will be filed as a forgivable mortgage on a monthly receding basis for 15 years and subject to recapture if the housing unit if the LMI buyer transfers, sells, vacates, or abandons the property during the 15-year period, unless IEDA provides approval in advance of the transfer. The CDBG-DR Subsidy loan will not exceed the total amount of CDBG-DR provided to the developer to construct the unit. The total liens should not exceed the homes appraised value.

Period of Affordability

The affordability period will be a total of 15 years for single-family housing units. The period of affordability includes the CDBG-DR Subsidy Amount (15 years) and the down payment assistance (5 years), running concurrently, and will be recorded as a forgivable mortgage. This mortgage is recorded at closing and is subordinate to the primary mortgage. The loan carries 0% interest, requires no monthly payments, and is forgiven on a monthly basis over a fifteen-year period. The mortgage is subject to recapture from the homeowner if the housing unit is sold during the affordability period.

During the affordability period, owners of units constructed under this program will be required to provide proof of primary occupancy to IEDA upon request.



During the initial sale, income verification must be completed by the GA prior to buyer agreement / mortgage documents in a 2-phase process:

1. Draft submission to assess for LMI and other eligibility concerns and then
2. A final submission with fully executed documents to retain in the project file.

When calculating income for homebuyers, verifications must be completed in accordance with 24 CFR 5.609 (“Part 5”) and submitted in IowaGrants. For more detail on the “Part 5” process, please see the homebuyer guide in the appendix.

Income verifications are valid for twelve (12) months from the date verification was completed.

A “Housing Unit Verification” form must be completed in IowaGrants at the time of project completion to verify that the National Objective was met. If the National Objective is not or cannot be met, all funds may be required to be paid back in full.

Homeowners that refinance their property within the 15-year period may only do so for the purpose of lowering their interest rate and not for the purpose of receiving funds by cashing out equity. Refinancing to lower the interest rate will require verification from the lender that no funds will be received and a subordination agreement between the homeowner and the subrecipient is required. If the homeowner receives funds from refinancing, they will be required to repay all grant funding.

Please see expanded Homebuyer Guide in the Appendices for more information.

Maximum Sale Price & Maximum Number of Units

IEDA adopts HUD’s HOME Homeownership Value Limits ¹(95% of area median purchase price) or the appraised value (whichever is less) as the maximum sale price for DR assisted new construction to ensure compliance with IFA HOME program standards, maintain market feasibility, avoid appraisal gaps, and support LMI affordability through layered DR incentives. While HUD limits reflect the market value of newly constructed housing, LMI households remain able to purchase these homes due to substantial construction subsidies and up to \$35,000 in direct homebuyer assistance, which together reduce the effective mortgage amount to a level consistent with underwriting standards for households at or below 80% AMI assisted new construction to ensure compliance with IFA HOME program standards, maintain market feasibility, avoid appraisal gaps, and support LMI affordability through layered DR incentives.

County Name	Metropolitan/FMR Area Name	Single Family	Duplex	Tri-plex
Buena Vista County	Buena Vista County, IA	\$308,000	\$394,000	\$477,000
Cherokee County	Cherokee County, IA	\$308,000	\$394,000	\$477,000
Clay County	Clay County, IA	\$308,000	\$394,000	\$477,000
Lyon County	Lyon County, IA	\$308,000	\$394,000	\$477,000

¹ HOME Homeownership Value Limits: <https://www.huduser.gov/portal/datasets/home-ownership-value-limits.html>



County Name	Metropolitan/FMR Area Name	Single Family	Duplex	Tri-plex
Pottawattamie County	Omaha-Council Bluffs, NE-IA HUD Metro FMR Area	\$358,000	\$458,000	\$555,000
Sioux County	Sioux County, IA	\$308,000	\$394,000	\$477,000
Woodbury County	Sioux City, IA-NE-SD MSA	\$308,000	\$394,000	\$477,000

Single family is the maximum sale price regardless of bedrooms. It is assumed that a two-bedroom home would be less than the maximum cap. The cap for the duplex and triplex is for the entire structure and not individual units. The maximum number of units awarded in a project cannot exceed 25 units.

Unit Warranty

Unless the loan requirements dictate a higher warranty period, all housing units will have a minimum warranty period post-construction of 1 year. The industry standard expressed warranty will also have contact information and typical remedies. A formal notification must be sent to homebuyers 3 months prior to the end of the warranty period.

Connection to Publicly Owned Infrastructure

All housing units must be connected to utilities at the time of completion, including to municipal water, sewer, and broadband. No applications proposing connections to wells or septic tanks will be accepted. Proposed constructions must be able to be serviced by capacity of the existing utilities (e.g., water, sewer, stormwater, gas, etc.) at the time of application. All housing units must be connected to publicly owned streets.



General Program Requirements

General Program Requirements

Floodplain Requirement

All Activities must be outside of the HUD-defined Federal Flood Risk Management Standard (FFRMS) Floodplain. Under HUD's 2024 Final Rule, the FFRMS floodplain may extend beyond the FEMA mapped 100-year and 500-year floodplains through the Climate Informed Science Approach (CISA), the 500-year floodplain approach, or the Freeboard Value Approach. No exceptions are permitted for new construction within the FFRMS floodplain. In limited circumstances where rehabilitation or other nonconstruction activities occur within the FFRMS floodplain, the applicant must provide documentation demonstrating compliance with all applicable elevation, floodproofing, mitigation, and environmental review requirements under 24 CFR Part 55, including justification of how the activity will preserve or enhance safe access for LMI households and how any flood risk reduction measures—existing or planned—adequately address future flood hazards.

Procurement and Contracting

Subrecipients shall follow the state of Iowa procurement requirements in [Iowa Code 26.3](#) and [362.3](#), federal procurement requirements in [2 CFR Part 200.318-326](#) and bonding requirements as found in the CDBG Management Guide. All projects must be cost reasonable. IEDA will determine project cost reasonableness through the competitive application comparison, review, and selection processes and may obtain third-party verification on a case-by-case basis. As such, application budgets must be thorough and accurate for evaluation.

Developers are not required to procure their contractors or subcontractors.

All contractors and contract data must be submitted for Contractor Clearance in IowaGrants. All work for construction must be recorded in a written, executed contract, and Federal and State language must be included, per the Contract Requirements for CDBG Projects. All contractors must be registered to work in the State of Iowa with the Iowa Workforce Development.

CDBG-DR funds are not required to follow the Build America, Buy America Act (BABA). It requires that all iron, steel, manufactured products, and construction materials used for federally funded infrastructure projects are produced in the United States, unless otherwise exempt or subject to an approved waiver.

Any construction contracts procured through awarded projects must comply with the Bonding Requirements.

Violence Against Women Act (VAWA)

UGLG & Subrecipients of HUD-funded programs must fully comply with the Violence Against Women Act (VAWA) and its housing protections, which safeguard applicants and program participants who are survivors of domestic violence, dating violence, sexual assault, or stalking. Under VAWA and HUD's implementing regulations, subrecipients are prohibited from denying



admission, terminating assistance, or evicting any individual solely because they are a survivor of violence, and must provide required notices of VAWA rights, certification forms, and access to emergency transfer protections. Subrecipients must maintain strict confidentiality of survivor information, refrain from discrimination or retaliation, and support an individual's right to seek law enforcement or emergency assistance without penalty as required under the 2022 VAWA Reauthorization. These obligations ensure that survivors can safely access HUD-assisted housing and services without further jeopardizing their safety or housing stability. [Fact Sheet - VAWA Right to Report from Home for CDBG Recipients](#).

Section 3

All projects receiving more than \$300,000 in HUD assistance at a project site are required to comply with the Section 3 rule, as detailed in 24 CFR Part 75. This includes tracking of all labor hours on the project sites, including projects not subject to Davis Bacon, and qualitative efforts undertaken to demonstrate compliance.

Subrecipients are required to follow the requirements listed in the CDBG Management Guide

Davis Bacon

Projects of 8 or more housing units are subject to Davis Bacon prevailing wage requirements. All infrastructure in support of housing is subject to Davis Bacon.

If applicable, Contractors must comply with the Davis-Bacon Act, the Contract Work Hours and Safety Standards Act (CWHSSA), and the Copeland Anti-Kickback Act (the Copeland Act) commonly referred to as the Davis-Bacon and Related Acts (DBRA).

Subrecipients are required to follow the requirements listed in the CDBG Management Guide

Uniform Relocation Assistance

The Uniform Relocation Assistance and Real Property Acquisition Act of 1970, as amended (the URA) and its implementing regulations at 49 CFR 24, establish minimum standards for federally funded programs and projects requiring the acquisition of real property or displaced persons from their homes or businesses. The URA applies broadly to all planned or intended federally funded projects, funded in part or in whole where acquisition, rehabilitation or demolition occurs in any phase. For applications, properties impacted will indicate on their application if the property is owner-occupied or tenant occupied. The project must consider potential impacts to tenants². If an identified project results in tenants leaving their homes involuntarily (being displaced), the tenants may be eligible for Tenant Relocation Assistance under the URA. These requirements apply to the relocation of any displaced person as defined at 49 CFR § 24.2(a)(9). Displaced persons under this definition must be fully informed of their rights and entitlements to relocation assistance and payments provided by the URA and its implementing regulations.

² HUD's [Tenant Assistance, Relocation and Real Property Acquisition Handbook](#) (1378.0)



Subrecipients must budget and plan if relocation occurs. The budget should include discovering the needs of displaced persons such as site visits, interviews, and orientations as well as housing market conditions, acquisition costs, relocation payments and other costs.

Subrecipients are required to follow the [Uniform Relocation Assistance and Real Property Acquisition Policy](#) which is on IEDA's website.

Minimize Displacement

Subrecipients shall minimize displacement associated with funded activities. Subrecipients will be required to submit a Residential Anti-displacement and Relocation Assistance Plan (RARAP) with their applications. The type of activities planned should not result in displacement. However, if displacement does occur Subrecipients will follow their RARAP by assisting displaced entities and persons and ensure the accessibility needs of displaced persons with disabilities.

IEDA has a CDBG-DR [Residential Anti-displacement and Relocation Assistance Plan \(RARAP\)](#) which can be found on the IEDA website. It is acceptable for subrecipients to adopt the IEDA RARAP or they can create their own.

Subrecipients must budget and plan if relocation occurs. Part of relocation assistance will require determining the needs of potential displaced persons or entities. Subrecipients will need to provide methods for identifying these needs such as site visits, interviews, and orientations as well as budget development variables such as housing market conditions, acquisition costs, relocation payments, and other costs.

Long-term Sustainability

All newly constructed infrastructure that is assisted with grant funds must be designed and constructed to support the communities' needs for the lifecycle of the constructed infrastructure and withstand extreme weather events. Applicants should provide narratives that cite strong financial plans to support the infrastructure for the life of the infrastructure, and cite designs that directly address resiliency.

Additionally, IEDA must identify and implement resilience performance metrics that will protect the public from any risks identified in the Action Plan. IEDA will review projects to determine which metrics are suitable for reporting to HUD through the DRGR systems. Examples of resilience performance metrics include:

- Number of non-residential buildings constructed
- Number of public facilities
- Number of fewer outages of critical facilities and utilities
- Number of linear feet of public improvement
- Number of properties with access above 100 year or 500-year flood level
- Number of residents protected from future flooding



For purposes of this requirement, an infrastructure activity includes any activity or group of activities (including acquisition or site or other improvements), whether carried out on public or private land, that assists the development of the physical assets that are designed to provide or support services to the general public in the following sectors:

- Surface transportation, including roadways, bridges, railroads, and transit; aviation; ports, including navigational channels;
- Water resources projects;
- Energy production and generation, including renewable, nuclear, and hydro sources;
- Electricity transmission;
- Broadband;
- Pipelines;
- Stormwater and sewer infrastructure;
- Drinking water infrastructure;
- Schools, hospitals, and housing shelters; and
- Other sectors as may be determined by the [Federal Permitting Improvement Steering Council](#).

For purposes of this requirement, an activity that falls within this definition is an infrastructure activity regardless of whether it is carried out under sections 105(a)(2), 105(a)(4), 105(a)(14), another section of the HCDA, or a waiver or alternative requirement established by HUD.

Fair Housing and Civil Rights

IEDA, subrecipients, and developers must ensure that all program activities comply with applicable federal fair housing and civil rights laws. No person may be denied access to the Single-Family New Construction Program based on race, color, national origin, religion, sex, gender identity, sexual orientation, age, familial status, disability, or any other protected characteristic. Program partners must incorporate equal opportunity standards into marketing, outreach, eligibility review, sales practices, and all interactions with applicants.

Subrecipients and developers must include required fair housing language in program materials, provide reasonable accommodations to applicants with disabilities, and ensure effective communication for individuals with limited English proficiency. Any fair housing concerns, complaints, or allegations of discrimination must be documented and referred to IEDA for review and resolution in accordance with state and federal requirements.

Internal Controls

Internal controls refer to the combination of policies, procedures, defined job responsibilities, personnel, and records that allow an organization (or an agency) to maintain adequate oversight and control of its cash, property, and other assets.

The soundness of any subrecipient's financial management structure is determined by its system of internal controls. Specifically, internal controls refer to the following:



- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

With a sound internal control system, a subrecipient can ensure that:

- Resources are used for authorized purposes and in a manner consistent with applicable laws, regulations, and policies.
- Resources are protected against waste, mismanagement, or loss.
- Information on the source, amount, and use of funds is reliable, secured, and up-to-date, and this information is disclosed in the appropriate reports and records.

As part of an effective internal control system, one person should be designated as the primary person at the subrecipient organization responsible for the financial management of the project. This person should be familiar with their organization's accounting system and how the accounting of grant funds is integrated into the subrecipient's existing system. Refer to 2 CFR 200.303 for more information.

Subrecipients are required to follow the requirements listed in the CDBG Management Guide. <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-Fhttps://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-D/subject-group-ECFR031321e29ac5bbd/section-200.331>

Prevention of Fraud, Waste, and Abuse

IEDA has zero tolerance for the commission or concealment of acts of fraud, waste, or abuse. Subrecipient and grant administrator staff will attend HUD OIG fraud training when provided. Any instances of fraud, waste, or abuse should be reported to the HUD OIG at 1-800-347-3735 or hotline@hudoig.gov. All instances of fraud, waste, and abuse discovered by IEDA will be reported to the HUD OIG.

Financial Management

Subrecipients must insure that they have policies and procedures for expending and accounting for all grant funds received and to maintain adequate source documentation to demonstrate that grant funds are used in compliance with all the terms and conditions of the award, only spent for reasonable and necessary costs, and not used for general expenses to carry out other responsibilities of State and local governments. More information on the minimum requirements can be found in the CDBG Management Guide. The financial policies will also ensure the following are met:

- The subrecipient will charge the CDBG-DR award for only allowable costs incurred during the period of performance and any authorized pre-award costs.
- When grant funds are transferred to subrecipients, the subrecipient will minimize the time elapsing between the receipt of funds from the state and the transfer of funds to contractors. Must be paid within 10 days of receipt of funds.



- If applicable, subrecipients will disburse funds available from program income or send it to the state, before requesting additional grant funding.
- For any changes made to the approved budget, scope, or objectives, subrecipients will notify IEDA of the changes, and any substantial changes will be approved by IEDA.
- Subrecipients will submit to HUD mandatory quarterly progress reports for IEDA's review of program progress.

Subrecipients are required to follow the requirements listed in the CDBG Management Guide.

Duplication of Benefits Review and Subrogation

Section 312 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act prohibits any person, business, or other entity from receiving duplicative financial assistance for the same disaster recovery purpose from multiple sources of federal and other support (42 United States Code [U.S.C.] 5155(a) and (c)). Duplication occurs when a beneficiary receives assistance from multiple sources for a cumulative amount that exceeds the total need for a particular disaster recovery purpose. The amount of the duplication is the amount of assistance provided in excess of need.

Per CDBG-DR regulations, the program's subrecipients and beneficiaries (homeowners) are required to disclose all other benefits (e.g., cash, in-kind, grants, loans) received, or which will be received for the proposed project to ensure that federal funds do not duplicate funds received from other sources.

Typical sources of duplication of benefits include, but are not limited to, the following:

- Federal Emergency Management Agency (FEMA) Public Assistance
- FEMA Hazard Mitigation Grant Program
- FEMA National Flood Insurance Program
- FEMA Increased Cost of Compliance Benefits
- U.S. Army Corps of Engineers
- Commercial insurance
- Insurance and personal property replacement
- Forced mortgage payoffs
- Philanthropic cash assistance
- subsidized loans

IEDA will perform a duplication of benefits analysis for each project that includes:

1. assess applicant's total need;
2. identify total assistance;
3. exclude non-duplicative amounts;
4. exclude funds for a different purpose;
5. exclude funds for the same purpose, different allowable use;



6. identify a final DOB amount (if any) and calculate the award; and
7. reassess unmet need when necessary.

IEDA will verify that subrecipients did not have other local or state funds designated or planned for the activity in any capital improvement plan or budgeted.

Applicants must agree to subrogate (commit to the State) any future payments they may receive after the award amount is determined from sources that represent a potential DOB. The subrogation agreement requires the entity to notify the State if additional funds are received and to assist the State in collecting any amounts owed to the entity from these sources.

IEDA's DOB policy which outlines the DOB process in more detail is available on the IEDA website.

Warning: Any person who knowingly makes a false claim or statement to HUD or causes another to do so may be subject to civil or criminal penalties under 18 U.S.C. 2, 287, 1001 and 31 U.S.C. 3729.

Conflict of Interest

No persons who is an employee, agent, consultant, officer, or elected official or appointed official of the recipient, or of any designated public agencies, or of sub-recipients that are receiving funds under this part who exercise or have exercised any functions or responsibilities with respect to CDBG-DR activities assisted under this part, or who are in a position to participate in a decision making process or gain inside information with regard to such activities, may obtain a financial interest or benefit from a CDBG-DR assisted activity, or have a financial interest in any contract, subcontract, or agreement with respect to a CDBG-DR assisted activity, or with respect to the proceeds of the CDBG-DR -assisted activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for one year thereafter.



Monitoring

Monitoring

Monitoring will be conducted via multiple methodologies throughout the project. One method is the Risk Assessment that IEDA will conduct annually per the contract. Each activity will have either a virtual desktop or on-site Site Visit at least once during the life of the grant, per the CDBG Management Guide. The Risk Assessment will assist project managers in determining the timing and frequency of documented Site Visits. The Risk Assessment will be conducted through IowaGrants once per year by the project manager, and based on the outcome score, the project manager will determine if / when a subsequent Site Visit is required. Per 200.331(b), IEDA will evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and terms and conditions of the subaward for the purposes of determining the appropriate level of monitoring. The risk-based assessment will include:

- Financial Risk- how large is the grant;
- Submitted Draws- are claims on schedule as outlined in contract, and contain required backup documentation;
- Timeliness – has the project progressed according to plans or suffered preventable delays;
- Program Management/Capacity – is the administrator In compliance with IEDA's CGA Policy;
- Program Income- has the contract generated program income;
- Compliance Reporting – are all cross-cutting compliance requirements met;
- Complaints – are there any citizen complaints or conflicts with the Citizen Participation Plan;
- Report Tracking- is the program reasonably on track;

IEDA will schedule a Site Visit with the subrecipient upon the expenditure of at least 50% of the award by a subrecipient, or upon 50% construction. The project manager will email the subrecipient and grant administrator to schedule the visit. Site Visit information and forms will be made available and completed in IowaGrants. The project manager will instruct grant administrators to provide any additional information identified as needed during a Site Visit. After the Site Visit, a report will be uploaded to IowaGrants and sent to both the subrecipient and grant administrator; any identified findings or concerns will also be communicated along with deadlines for submission of corrective actions. IEDA reserves the right to perform monitoring assessments the project at any point in time based on its assessment of project risk or other considerations.

Subrecipients are required to follow the requirements listed in the CDBG Management Guide.



Closeout

Closeout

The IEDA grant agreement specifies that all closeout deliverables are due to be completed, along with final claims, within 30 day prior to the contract end date. To close out the project, IEDA staff will verify the following:

- Projects:
- Confirm that all program activities are complete.
- Confirm final beneficiary numbers.
- Confirm compliance with all contracts funded through the program.
- Confirm national objective met.
- Project Photos acquired for before & post project completion.
- NGBS and IDALS stormwater elements are completed and signed off / certified.
- All conditions and clearances have been filled out and documentation uploaded
- All housing unit verification forms have been submitted and approved. Ensuring verifications match the number of awarded units.
- Permission to use grant funds was uploaded and signed
- Confirm final compliance reporting is complete:
- Subrecipient Section 3 Reports, IEDA Semi-Annual Labor Standards Reports;
- Financials:
- Confirm that the total reimbursement through the program and verify that the accounting is accurate.
- Confirm that the final reimbursement request has been made.
- Confirm that the program is not overspent against the Action Plan budget.
- Confirm Single Audits, as applicable, have been submitted to the Federal Audits Clearinghouse.
- Administrative
- Risk Assessments and Site Visits are complete.
- All Monitoring issues have been resolved and documented in the project file.
- Single Family New Construction: Covenants, Mortgage Release and all other Mortgage documents are Recorded and on file.
- Confirm documentation is retained for any critical decisions made or policies developed (for future audits).
- Closeout applicant files and make sure files are consistently organized.
- Closeout individual activities.

The program will be ready for closeout when the conditions are met:

- A final public hearing has been held
- All eligible activities are completed.



- All funds are expended in full, or remaining funds are planned to be returned to IEDA.
- All reporting requirements were completed.
- Any specials conditions of the program were met.
- All audit and monitoring issues were resolved.

Audit Requirements

As per the provisions of [2 CFR 200, Subpart F](#), Audit Requirements, grantees that expend \$1 million or more during their fiscal year in Federal awards must have a single or program-specific audit conducted for that year. Subrecipients must also have a single or program-specific audit if they meet the \$1 million expenditure threshold.

If IEDA is disbursing grant funds to subrecipients, IEDA is required by [2 CFR 200.331](#) to ensure that subrecipients comply with Subpart F. IEDA will verify that subrecipients, if applicable, have prepared financial statements (including the schedule of expenditures of Federal awards), that there are no significant findings in the Single Audit that impact the use of CDBG-DR funding, and if there are findings that the subrecipient has taken corrective action. To that end, IEDA reserves the right to perform due diligence assessments on the status of an Applicants Audits from open source mediums prior to making a recommendation for award.

Subrecipients are required to follow the requirements listed in the CDBG Management Guide.

Records Management

IowaGrants.gov is intended to serve as the primary medium for administering CDBG-DR funds and tracking the various compliance requirements stated in the grant agreement, the CDBG Management Guide and this Program Guide. However, the Subrecipient must maintain complete and accurate records that fully document compliance with all CDBG-DR program requirements. This includes maintaining financial, programmatic, procurement, environmental, civil rights, labor standards, and contract records in a manner that provides a clear audit trail and supports IEDA's oversight responsibilities.

- Records must demonstrate:
- Activity eligibility and National Objective compliance
- Proper procurement and contractor selection
- Compliance with labor standards and other cross-cutting requirements
- Accurate financial management and documentation of costs
- Performance outcomes and beneficiary data
- Resolution of monitoring or audit findings

Records must be retained for the required federal retention period and must be made available to IEDA, HUD, or other authorized oversight entities upon request.



Document Retention

The subrecipient must retain all documentation of this project for three years after the entire grant between IEDA and HUD is closed. IEDA grant closeout with HUD is anticipated in 2031. IEDA will notify all subrecipients when documentation retention is no longer required. Subrecipients may also contact IEDA's CDBG Team to inquire about document retention times for the grant.



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Homebuyer Guide

Marketing and Sales

Responsibility for Marketing and Sales

The developer is responsible for marketing IEDA Single Family New Construction Program. Developers must market the homes in accordance with program requirements and ensure all units are sold to income qualified, eligible buyers. At a minimum, developers must:

- Market the program and available units using the required Buyer Pool Approach.
- Prioritize outreach to disaster impacted households during the four-month preferential period.
- Include required program language in all marketing materials and provide samples to the Grant Administrator and IEDA upon request.
- Maintain a list of interested applicants and coordinate with the Grant Administrator to verify eligibility.
- Facilitate timely execution of purchase agreements with approved buyers, including required earnest money limits.
- Ensure that all sales comply with program requirements, affordability restrictions, and income eligibility standards.
- Utilize social media platforms to advertise the availability of units and application opening and closing date

Marketing Plan

Developers must create and implement a comprehensive marketing plan for the Program. The plan will be due at the time of application. A marketing plan is a required component of the application process. Applications without a marketing plan will not be scored.

The plan should outline strategies for affirmative outreach within target areas, methods for advertising available homes, and the inclusion of required equal opportunity and program approved language in all materials. It must also detail processes and timelines for prequalifying buyers based on CDBG-DR income and mortgage eligibility, managing waiting lists, establishing priority when demand exceeds supply, and providing sample disclosure statements to buyers before signing purchase agreements and at closing.

Developers may use a variety of marketing strategies to promote the Single-family New Construction Program and support the successful sale of units. Marketing options can include:

- Conducting marketing and presale activities prior to construction.
- Supporting buyers of presold units with limited selections of colors, finishes, and materials.
- Using completed units as model homes or marketing centers for tours and Program information.



- Providing online information specific to CDBGDR units, which may be limited to prescreened eligible applicants.
- Organizing press events, open houses, and guided site tours.
- Creating direct marketing campaigns targeted at households impacted by the disaster.
- Installing onsite signage with links (e.g., QR codes) directing prospective buyers to eligibility information, layouts, and next steps.

Homebuyer Intake and Eligibility

IEDA requires that all homebuyers purchasing Single-Family New Construction units meet CDBG-DR eligibility requirements prior to entering into a purchase agreement with the developer. Eligibility determinations ensure that federal funds support qualified LMI households and that all program restrictions, including disaster-impact prioritization and income verification, are met. Subrecipients and their Grant Administrators must use consistent intake procedures and document all steps in accordance with IEDA guidelines.

Homebuyer Application Intake

Homebuyers must submit a complete application package prior to eligibility review. Homebuyer intake will be processed by the Grant Administrator. At minimum, the application must contain the following:

- Applicants contact information
- Household composition
- Income and asset details
- Required Duplication of Benefits (DOB) disclosures
- Documentation supporting the homebuyer meets all loan requirements including:
 - First mortgage lender pre-approval
 - Down payment
 - Underwriting criteria
 - Lawful presence

Grant Administrators will review applications for completeness, request missing items, and forward eligibility documentation to IEDA for final approval. Applications missing required information may be placed on hold or denied.

Determining Household Income Eligibility

The applicant packet will be reviewed to determine eligibility including income eligibility by the grant administrator. The homebuyers must be low-to moderate income which means the household is $\leq 80\%$ the area medium income (AMI) at the time of application. Household income eligibility is based on HUD's Part 5 definition of annual income (24 CFR 5.609). IEDA requires that:



- All household members aged 18 or older are included in income calculations.
- Total household income must be ≤ 80% AMI at the time of application.
- Income limits are based on HUD's annually published limits.

Income eligibility must be confirmed before entering into a purchase agreement. Household income does not need to remain LMI after the purchase. Eligibility is fixed at the time of entering into a homebuyer agreement.

Income eligibility determinations are established by reviewing a combination of income and assets and are valid for 12 months from the date of verification is completed.

Income

Income includes earned income, unearned benefits, and recurring payments from all adult household members. Examples include:

- Wages and salaries
- Social Security (SSDI/SSI)
- VA benefits
- Pensions and retirement distributions
- Self-employment income (based on verified tax documentation)
- Parental support payments

Income must reflect what the household expects to receive in the next 12 months.

Acceptable methods of determining household income include:

- Documentation such as:
 - Recent paystubs (covering at least 60 days)
 - Employer statements
 - Social Security, SSI, SSDI, VA benefit letters
 - Pension/retirement statements
 - Unemployment or workers' compensation statements
 - Tax returns and supporting documents for self-employment
- Written verification forms submitted to employers or income sources when direct documentation is unavailable.
- Phone or verbal verifications when written methods cannot be obtained, documented with:
 - Date, time, and person contacted
 - Information provided
- Self-certification, used only when other sources of documentation cannot be obtained and the file clearly explains why.



Assets

Assets include cash, checking and savings accounts, retirement accounts accessible prior to retirement, real property (excluding the home being purchased), and other financial resources. Assets that do not generate income, such as personal property, may be excluded from the calculation.

IEDA may ask households that have substantial accessible assets to use those resources for closing costs, helping prevent duplicate benefits or excessive subsidies.

Single Family New Construction Underwriting Standards

IEDA has established minimum underwriting standards to ensure that:

- The homebuyer receives only the subsidy needed to make the mortgage affordable;
- The buyer is not over subsidized;
- Program funds do not exceed demonstrated need.

Underwriting must consider:

- Household income and allowable debt ratios
- Reasonableness of primary mortgage terms
- Confirmed closing costs
- Monthly mortgage payment
- Any other financial resources contributing to the purchase
- Any duplication of benefits

The complete underwriting package must be sent and approved by IEDA before signing a purchase agreement or entering into the homebuyer agreement.

Homebuyer Debt Calculations

Housing Debt (Front-End Ratio)

To promote sustainable homeownership and prevent buyers from becoming housing-cost burdened, IEDA requires that the front-end ratio be assessed during underwriting. The front-end ratio is calculated as the sum of principal, interest, taxes, and insurance (PITI), plus any applicable homeowner association dues, expressed as a percentage of the household's gross monthly income.

IEDA employs a tiered standard for front-end ratios based on household income levels:

- The front-end ratio cannot exceed 25- 30% for households above 50% of AMI.
- The front-end ratio cannot exceed 20-25% for households at or below 50% of AMI. This percentage is a more flexible ratio range to facilitate access to homeownership, provided the mortgage product is sustainable and passes IEDA's affordability review through the designated underwriting tool.



These requirements are designed to maintain affordability, prevent over-subsidizing, and ensure that buyers are not placed at undue financial risk. Exceptions to the standard ratio ranges may be granted on a case-by-case basis if the lender provides documented compensating factors and the payment is determined to be sustainable given the buyer's verified income, debt obligations, and overall financial profile.

IEDA reserves the right to request modifications to the mortgage structure or subsidy amount if the proposed housing payment does not meet program standards for long-term affordability, regardless of lender approval.

Total Debt (Back-End Ratio)

The total debt ratio measures the buyer's total monthly financial commitments, including housing expenses and all recurring long-term debts such as auto loans, student loans, minimum credit card payments, and child support, as a percentage of their gross monthly income. A homebuyer's backend ratio must not exceed 41% of their monthly income.

IEDA may make exemptions on a case-by-case basis to allow the back-end ratio to exceed 41%, provided that the lender has supporting documentation that the mortgage payment is sustainable.

Review of Loan Terms for Additional Loans

IEDA requires review of all additional financing to ensure that:

- Loan products are reasonable and non-predatory;
- There are no excessive fees or high interest rates;
- No balloon payments, interest-only periods, or adjustable-rate products are used; and
- Borrower costs are aligned with standard market practices

Assistance will be denied if any loan contains harmful or unsustainable terms.

Duplication of Benefits Review and Subrogation

Section 312 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act prohibits any person, business, or other entity from receiving duplicative financial assistance for the same disaster recovery purpose from multiple sources of federal and other support (42 United States Code [U.S.C.] 5155(a) and (c)). Duplication occurs when a beneficiary receives assistance from multiple sources for a cumulative amount that exceeds the total need for a particular disaster recovery purpose. The amount of the duplication is the amount of assistance provided in excess of need.

Please review the Duplication of Benefits Review and Subrogation section in the Single Family New Construction Policy (above) for an overview and the detailed DOB process is described in the [CDBG-DR Combined Policies and Procedures Manual](#) available on the IEDA website.



Housing Counseling and Other Services

Homebuyers are encouraged to participate in housing counseling to support long-term, sustainable homeownership. Subrecipients may refer applicants to HUD approved counseling agencies for education on budgeting, mortgage readiness, and ongoing housing responsibilities. Additional referral, such as credit counseling, legal aid, or financial coaching, may be made when needed to assist buyers in resolving issues that could delay or prevent home purchase or closing. Counseling costs may be covered by the program when allowed under CDBG-DR rules.

Communicating with Applicants Regarding Approvals/Denials

Grant Administrators must notify applicants in writing of their eligibility determination. Approval notices must include the amount of CDBG-DR assistance the buyer qualifies for and any conditions that must be met prior to closing. Denial notices must clearly state the reason for ineligibility and include instructions for how to request reconsideration or appeal through the program's established process. All communications must be documented and retained in the applicant's file.

IEDA will periodically audit denials and will request a denial list. IEDA will review to determine if the denials are properly documented and if patterns in the denial lists indicate program barriers that limit equitable access for qualified LMI income levels. These reviews are essential to ensuring the program does not unintentionally exclude qualified lower income households. Subrecipients are reminded that exceptions can be granted if justified to the underwriting requirements. IEDA will also review homebuyer appeals to be sure the subrecipients appeals process is followed.

Contractor Fraud & Home Warranty

Homebuyers throughout the buying process will be informed of their ability to contact the subrecipient or IEDA in the event of addressing poor quality of work and any associated issues. The units will be inspected before sale and the subrecipients and IEDA will monitor the developer throughout the building process to be sure there is no evidence of contractor fraud.

The unit is also under warranty. The warranty should be communicated in writing to the homebuyer.

Waiting List

A waiting list must be maintained when the number of eligible homebuyers exceeds the number of available units. The waiting list ensures consistent, fair access to available homes and allows IEDA, developers, and subrecipients to manage demand throughout the development process. The waiting list must reflect IEDA's four-month disaster impact priority period and ongoing LMI eligibility requirements. The waiting list will be maintained by the Grant Administrator in cooperation with the developer.



Requirements for Waiting Lists

Waiting lists must:

- Include only applicants who have completed income, DOB, and eligibility documentation.
- Prioritize disaster impacted households for the first four months of marketing.
- Track the date the applicant completed eligibility review.
- Allow applicants to remain on the list even if they decline a unit, subject to program limits.
- Be updated when applicants withdraw, become ineligible, or purchase a unit.
- Be made available to IEDA upon request for monitoring or review.

Waiting List Procedures

When a waiting list is required, the procedure below must be followed:

1. Add applicants to the list only when full eligibility documentation is complete.
2. Offer units first to disaster impacted households during the four-month priority period
3. After the priority period, offer units to LMI buyers in order of completion date.
4. Document every offer, acceptance, and decline.
5. Establish limits for how many units an applicant may decline before being moved to the bottom of the list.
6. Notify applicants in writing when a unit becomes available.
7. Maintain the list until all homes in the project are sold.

Homebuyer Agreement

IEDA Approval Prior to Entering a Homebuyer Agreement

Before a homebuyer agreement may be executed, the Grant Administrator must submit a complete eligibility and underwriting package to IEDA for review. This package must include verified income, asset documentation, duplication of benefits information, underwriting analyses, and the proposed level of assistance. IEDA must issue written approval confirming eligibility and assistance amounts before a purchase agreement or homebuyer agreement is signed. No commitments may be made to buyers prior to IEDA approval.

Homebuyer Agreement

The homebuyer agreement is the document that lists the amount, terms, and your obligation for the financial assistance provided by IEDA. The homebuyer agreement will be part of the closing documents for the homebuyer. The agreement will include the following:

- Property Details
- Assistance Calculation outlines the process for addressing other resources identified as Duplication of Benefits (DOB) and details how the amount of homebuyer assistance was determined.



- Subrogation and/or Assignment Agreement, in which the homebuyer agrees that any additional funds the homebuyer may receive from potential DOB sources may belong to the Program.
- Affordability Requirements
- Insurance Obligations: Requirements for the buyer to maintain hazard, multi-peril, and/or flood insurance, as applicable. If the home is sold, the flood insurance policy is assumable by the buyer, provided that the seller is not transferring the policy to a new location.
- Homeowners in special flood hazard areas must obtain and maintain flood insurance if they receive federal disaster assistance. Failure to maintain this insurance disqualifies the property from future federal disaster recovery assistance.
- Under the Stafford Act, homeowners who received disaster recovery assistance after September 14, 1994, are required to obtain and maintain adequate flood insurance coverage if their property is in a special flood hazard area.
- As part of the DOB verification, the Program must verify that homeowners with prior disaster recovery assistance in special flood hazard area have maintained flood insurance before granting an award.

The loan in the homebuyer agreement is secured by two legal documents, a promissory note and a mortgage:

- Promissory Note: A document where you promise to repay the loan under certain conditions. It lists the amount, terms, and the buyer requirements.
- Mortgage: A legal document that is recorded on your home's title that uses the property as collateral for the loan.

Unlike traditional loans, there is no interest and no monthly payments. Payback may be required if the home is sold before the loan term ends. The homebuyer may pay back some or all of the loan from the sale proceeds.

Loan Terms

Occupancy and Primary Residency

Homebuyers must occupy the unit as their primary residence for the duration of the program's required affordability period. The home may not be used as a rental, second home, or vacant property at any point during this period. IEDA may request documentation to confirm occupancy, including utility records, insurance declarations, or other proof if needed. Failure to maintain the home as the primary residence constitutes non-compliance and may trigger recapture of the assistance provided.

Loan Terms and Payment Structure

Down Payment Assistance Loan: This funding is provided in the form of a five-year forgivable mortgage. This mortgage is recorded at closing and is subordinate to the primary mortgage. The loan carries 0% interest, requires no monthly payments, and is forgiven on a monthly basis



over a five-year period. The terms of the forgivable mortgage, all affordability restrictions, and any required subordination documents will be reviewed and approved by IEDA prior to closing. The terms of the forgivable mortgage, all affordability restrictions, and any required subordination documents will be reviewed and approved by IEDA prior to closing. If the homeowner sells, transfers ownership, or otherwise violates program requirements during the five-year forgiveness period, the remaining unforgiven balance must be repaid.

CDBG-DR Subsidy Loan: In addition to the five-year forgivable mortgage, all assisted properties are subject to a fifteen-year construction offset affordability period required by IEDA.

This mortgage is recorded at closing and is subordinate to the primary mortgage. The loan carries 0% interest, requires no monthly payments, and is forgiven on a monthly basis over a fifteen-year period. The loan is subject to recapture from the homeowner if the housing unit is sold during the affordability period. This affordability period begins at project completion. During this fifteen-year period, the property must continue to meet all applicable affordability requirements established by the program and HUD. If a violation occurs during this construction offset affordability period, IEDA may pursue appropriate enforcement or repayment actions consistent with program regulations.

The loans will run concurrently.

Recapture Requirements

If the homeowner sells or transfers the property before the end of either the down payment assistance or CDBG-DR Subsidy affordability period, IEDA will recapture the remaining unforgiven portion of the homebuyer assistance. In the event net proceeds are insufficient to repay the amount owed, recaptured funds will be limited to the net proceeds, and the loan will be considered satisfied. Net proceeds refer to the amount remaining from the sale price of the home after deducting all repayments on loans with a higher priority than the CDBG-DR loan, any seller-paid closing costs, and the homeowner's original investment made at the time of purchase.

The home must be sold at fair market value, and any changes in ownership must be reviewed and approved by IEDA in advance.

Non-compliance occurs when the homeowner violates any terms of the program, including but not limited to:

- Failing to maintain the home as the primary residence
- Renting, leasing, or otherwise vacating the property
- Refinancing without IEDA approval
- Transferring ownership without prior written approval
- Failing to maintain required insurance

If a homeowner fails to comply with program requirements, IEDA may require repayment of the remaining unforgiven balance of the mortgage. Homeowners will be provided with written notice of the violation and, when possible, given a timeframe to resolve the issue.



Refinance and/or Equity Loans/Lines of Credit

Homeowners may not refinance the primary mortgage or obtain any home equity loan or line of credit without prior written approval from IEDA. Refinance may be approved only if it lowers the homeowner's interest rate and does not provide cash back to the borrower. The forgivable mortgage must remain in a subordinate position unless otherwise approved by IEDA.

Unauthorized refinancing or equity borrowing constitutes noncompliance and may trigger recapture of the remaining unforgiven funds. Refinance may be approved only if it lowers the homeowner's interest rate and does not provide cash back to the borrower. The forgivable mortgage must remain in a subordinate position unless otherwise approved by IEDA.

Unauthorized refinancing or equity borrowing constitutes non-compliance and may trigger recapture of the remaining unforgiven

Income Verification Guidance for Recipients

Under the Federal CDBG/ CDBG-DR regulations, Subrecipients must select and use one of three methods for calculating income to determine if households are eligible to participate in a CDBG program.

IEDA has made the determination that communities receiving CDBG/CDBG-DR funding should use the Part 5 definition of income when collecting information and verifying income for potential homeowners.

The Part 5 definition of income is the gross amount of income of all adult household members that is anticipated to be received during the coming 12-month period. A detailed list of income and asset sources can be found in federal regulation 24 CFR 5.609 (regulation attached).

To verify income, the following documents must be collected from homeowners:

- IRS form 1040/ tax return from the most recent year
- Disclosure of all anticipated income for the next 12 months with documentation (sample income verification form attached)

Notes

- Documentation used for CDBG income verification is valid for 12 months.
- Third party verification of income is allowed under the CDBG program and is considered a best practice when verifying documentation provided by a homeowner/homebuyer/tenant. However, 3rd party verification is not required.

Additional resources:

HUD has an on-line income calculator that can be used to help determine a household's annual gross income for establishing eligibility for assistance. Communities and grant administrators may reference the CPD Income Eligibility Calculator at <https://www.hudexchange.info/incomecalculator/>.



HUD's "*Technical Guide on Determining Income and Allowances under the HOME Program*," is a very thorough and detailed guide. This guide may be helpful when assessing how to handle particular assets. The guide can be found at: <https://www.hudexchange.info/resources/documents/HOMEGuideForIncomeAndAllowances.pdf>

Income Verification Form Links:

- Sample Income Verification Form (Initial Lease-Up):
<https://opportunityiowa.gov/media/3212/download?inline>
- Period of Affordability Self-Certification of Income (Year 2-3):
<https://opportunityiowa.gov/media/3855/download?inline>

