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Notification of Change
Substantial Amendment to the PY 2023
HOME and CDBG Annual Action Plan
Amendment 2

The City of Muncie is considering substantial amendments to PY 2023 Community Development Block Grant (CDBG) and Home Investment Partnership (HOME) Annual Action Plan as described below.

Change 1: Currently, homebuyers that fail to meet program requirements or sell their home during the period of affordability, can repay HOME loans on a declining balance basis. The proposed amendment would require payment of the full loan balance. The proposed change applies to HOME Homebuyer programs only. The recapture policy in effect for other programs will not change. The full text of the proposed policy is available here:

www.muncie.in.gov > Departments > Community Development > Announcements > Notification of Change to HOME Homebuyer Recapture Policy

Change 2: Cancel Project Recovery Housing Acquisition: $250,000 (CDBG)
Change 3: Cancel Project McKinley Park Design: $40,000 (CDBG)
Change 4: Add Project Crisis Center Acquisition: $60,000.00 (CDBG)
Change 5: Add to Infrastructure Project: $230,000 (CDBG)

Comments from the public regarding this amendment will be accepted through 4:00 PM 04/05/2024. Comments may be submitted by mail, email, personal delivery or phone. Your communication must indicate you are commenting on this amendment.

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City of Muncie
Recapture Policy (2020 - 2024 Consolidated Plan)

It is the policy of the Muncie Community Development Department (City) to maintain long-term affordable housing through investments of federal funds. In accordance with the HOME regulations, this procedure is enforced by recapturing HOME funds to assist other buyers and/or properties. The amount of HOME subsidy invested in the property determines the minimum length of the affordability period applied to a property. These requirements are specifically described in the legal documents for each loan. At the end of the period of affordability, the HOME subsidy is forgiven and the property is no longer subject to HOME Program restrictions. This policy applies when both direct and indirect subsidies are invested in a property.

This policy provides an incentive for long-term ownership and encourages neighborhood stability by forgiving the HOME investment after expiration of the Period of Affordability (POA). Over time, the homeowner's equity increases as first mortgage principal payments increase. The homeowner's percentage of net proceeds is increased by capital improvements made to the property, thus protecting their investment and providing an incentive to maintain and improve the property.

Housing assisted by the City must meet the affordability requirements in accordance with 92.254(4) for homeowner housing throughout the entire affordability period as described in the tables below. The affordability period begins after project completion. Project completion is defined as the date that:

1. all necessary title transfer requirements and construction work have been performed;
2. the rehabilitation completed complies with the requirements of 24 CFR 92 and stricter of the local rehabilitation standards or the Indiana State Building Code;
3. the final drawdown of construction funds has been disbursed for the project;
4. certification of completion has been issued;
5. the project completion information has been entered in IDIS (Integrated Disbursement and Information System established by HUD.)

The City considers the date final completion information is entered into IDIS as the start date for the project affordability period.

For **homebuye**r projects, HOME regulations at 92.254(a)(4) require three affordability periods:

- Under $15,000 = 5-year minimum affordability period
- $15,000 - $40000 = 10-year minimum affordability period
- Over $40,000 = 15-year minimum affordability period

In the event of a homeowner's default on HOME requirements during the affordability period due to death, life-threatening illness, or other extraordinary circumstance, The City may allow assumption of the affordability requirements by an income-eligible family member on a case-by-case basis.

Recapture of HOME funds is used when the homebuyer receives a direct subsidy for the purchase of the home, such as down payment or closing cost assistance, or when the unit is purchased at a price below the fair market value. Under this option, the minimum period of affordability is based only on the amount of the direct subsidy.

The homeowner is at liberty to sell to any buyer, at any price the market will bear, but also must repay100% of the direct HOME subsidy received when the unit was originally purchased. The entire amount of the direct HOME subsidy is due upon closing.

Once the HOME funds are repaid, the property is no longer subject to the HOME Program restrictions and the HOME liens placed on the property will be released.

At time of sale, if the property increases in value, the HOME investment is repaid and used to fund new eligible projects. If the property fails to appreciate by an amount sufficient to repay both the homeowner's investment and the HOME subsidy, the amount to be recaptured is proportionately reduced. If the net proceeds are less than or equal to zero, the amount to be recaptured will be zero and no additional assistance will be provided to the homeowner. The homeowner is encouraged to maintain the property in a manner that will sustain the original fair market value.

In the event of a homeowner's default on HOME requirements during the affordability period due to death, life-threatening illness, or other extraordinary circumstance, The City may allow assumption of the affordability requirements by an income-eligible family member on a case-by-case basis. Subject to prior approval, the HOME requirements on a property subject to recapture may be assumed by an income-eligible family member for the remainder of the period of affordability. The subsequent homebuyer must agree to provide complete income documentation to be qualified as eligible and agree to assume the original mortgage terms, including occupying the property as their principal residence for the remainder of the HOME period of affordability.

In the event of foreclosure, transfer in lieu of foreclosure or assignment of an FHA insured mortgage to HUD, and there are insufficient net proceeds to repay the HOME investment – the affordability period is terminated and the property is no longer subject to HOME program restrictions.

FUNDS REPAID TO HUD

When HOME funds must be repaid to HUD, the PJ must contact HUD to determine to which account the funds must be repaid.

This procedure may be amended from time to time to reflect changes in programs and local market conditions.