

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

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

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

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

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

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

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

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

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