



Voluntary Grant Reduction to Resolve HOME Program HUD Findings

*City Council Work Session
June 1, 2026*

Under the HOME Investment Partnership Program, HUD has determined two findings that require corrective financial action.

Key timeline:

- **Findings issued:** 2025 and 2026
- **Underlying HOME activities:** approximately 2017 to 2019 program period
- **Current status:** staff has corrected the underlying program structures and strengthened HOME compliance procedures.

Financial issue:

- \$321,446.21 total
- Two possible corrective actions
 - Voluntary Reimbursement from future grants
 - Direct repayment from General Fund

Next step:

- Staff will return at a subsequent Council meeting for formal action on the recommended financial resolution method.

These activities predate the City's current HOME compliance framework.

What HOME Requires

- HOME requires a separate written agreement before funds are disbursed. A deed of trust or promissory note by itself does not satisfy the HOME written agreement requirement. Source: 24 CFR 92.504(b) and (c)
- Both HUD findings are related to HOME written agreement requirements.
- Written agreements must document:
 - amount of HOME funds
 - use of HOME funds
 - responsibilities of the homeowner, developer, CHDO, or subrecipient
 - affordability and compliance requirements
 - project-specific obligations
 - amendments when funding amounts or uses change

Activities: #1407 and #1563

Required repayment: \$198,009.14

- **What occurred**

The former HOME rehabilitation program relied on a promissory note and deed of trust as the homeowner loan documents.

- **HUD determination**

HUD determined those documents did not satisfy the HOME written agreement requirement because HOME requires a separate written agreement before funds are disbursed.

- **Why it matters**

Without the required HOME written agreements, HUD determined the City lacked authority to expend HOME funds for those activities.

- **Regulatory basis**

24 CFR 92.504(b) and (c)

Activities: #1356, #1371, and #1425

Required repayment: \$123,437.07

- **What occurred**

The written agreements did not match the actual HOME funding activity. Funds were shifted or expenditures exceeded agreement amounts without the required written agreement amendments.

- **HUD determination**

HUD determined that the City did not have properly executed or amended HOME written agreements specifying the amount and use of HOME funds.

- **Why it matters**

HOME requires written agreements to identify the specific amount and use of HOME funds. When funding amounts change, the written agreement must be updated before funds are drawn or applied differently.

- **Regulatory basis**

24 CFR 92.504(c)(3)

Corrective Actions Completed Under Current ECD Leadership

- **Program structure**

 - Former HOME-funded rehabilitation program terminated

 - CDBG Emergency Home Repair Program expanded and restructured

- **Compliance controls**

 - HOME written agreements, commitment procedures, drawdown controls, CHDO tools, and underwriting procedures updated

- **Staff accountability**

 - Compliance and reporting responsibilities centralized under dedicated staff

 - Staff completed HUD training aligned with program responsibilities, including Building HOME training for key HOME staff

- **Ongoing maintenance**

 - Policies and procedures are being placed into a regular review and update process

- **HUD Technical Assistance**

Reviewed current HOME procedures, written agreements, financial processes, and selected project files.

Found the updated HOME commitment policy consistent with program regulations.

Noted drawdown procedures help ensure HOME funds are not drawn before a valid written agreement is executed.

- **CDBG/HOME Consultant Review**

Separately reviewed HOME/CDBG policies, procedures, agreements, underwriting tools, CHDO documents, and financial management practices.

Found current documentation and administrative structures aligned with applicable HUD requirements.

- **Bottom line**

The remaining issue is the financial resolution of legacy findings. Current procedures have been reviewed, strengthened, and are continuing to be refined.

- Direct repayment from non-federal local funds
 - Immediate local fund impact
 - Preserves future HOME capacity
- Voluntary grant reduction
 - No immediate General Fund impact
 - Reduces future HOME entitlement funds over multiple years
 - Subject to HUD approval



- **Draft reduction schedule:**

- FY2028: \$121,446.21
- FY2029: \$100,000.00
- FY2030: \$100,000.00

- **Potential program impacts:**

- fewer homebuyer assistance awards
- less single-family production support
- less flexibility for CHDO projects
- less HOME gap financing capacity for affordable housing development

- Staff recommends **voluntary grant reduction** because it:
 - satisfies the remaining financial requirement
 - avoids immediate General Fund impact
 - spreads the fiscal effect over multiple years
 - allows the City to move forward under corrected HOME procedures





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